

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

2025. The officers submitted the information required to develop and update a skills inventory. The skills inventory is now in place.

ii. Performance Management

Additionally, management introduced performance management on 1st July 2024. Performance contract for the current Financial Year is on. Appraisals for previous financial year 2024/2025 was concluded as per the attached selected filled appraisal forms.

Committee Observations

The Committee observed that the Management had failed to adhere to the guidelines set out in the Public Service Commission Human Resource Policy and Procedures, paragraph 12, Part H.14(1) and noted with concern that the County Executive ran the risk of inefficiency as untrained and undeveloped county officers were unlikely to serve the residents of Bungoma County with the statutorily expected level of diligence and professionalism. The Committee further queried why the Management failed to provide the Auditor-General with the required information on skills inventory at the time of the Audit.

Committee Recommendations

1. **The Committee recommended that administrative action be undertaken against the county officers who failed to provide the required officers at the time of the audit.**
2. **The Committee further recommended that the County Public Service Board develop a skills audit for all officers within the county executive and submit an implementation report within ninety (90) days of the adoption of this report.**

5. Lack of Serviced Fire Equipment, Fire Assembly Points and Fire Safety Alarm System

Audit verification at the time of audit on 9 July, 2025 revealed that the firefighting equipment and facilities including fire extinguishers and fire hose pipe were not serviced, the assembly points had not been marked and fire alarm safety system had not been installed. Further, the firefighting equipment were last serviced on 19 November, 2011 casting doubt whether the fire equipment was still effective.

In the circumstances, the Management may not be able to mitigate risks including loss of financial records, and lives in case of fire outbreak.

Management Response

Management agrees with the audit finding. Management will make a budgetary provision to service the fire equipment and fire alarm safety system. However, making of Fire Assembly has been made as per the attached photographs.

Committee Observations

The Committee noted that the County Executive had failed to properly discharge its duties as regards disaster management and firefighting services as outlined in paragraph 12 of Part II of the Fourth Schedule of the Constitution. The Committee also observed that the responsible accounting officer failed to adhere to regulation 132 of the Public Finance Management (County Government) Regulations which requires an accounting officer to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendations

The Committee recommends that—

- a) The County Executive to ensure all the buildings have adequate and properly service firefighting equipment and train staff on how to use them and further that enough spaces for fire assembly points should be provided and be clearly marked;**
- b) The Accounting Officer to submit an implementation report within ninety (90) days of the adoption of this report.**

6.Lack of an Approved Information Communication Technology (ICT) Policy, Business Continuity Plans and Disaster Recovery Plan

Review of Information Communication Technology (ICT) governance documents, field verifications and interviews with management revealed that the County Executive did not have an approved ICT policy. Whereas the draft policy document had been tabled before the County Executive Committee, the management did not provide timelines indicating the action plans which would lead to the approval of the ICT policy and subsequent submission to the County Assembly for approval. Further, ICT equipment were not tagged for identification. Additionally, the County Executive did not have business continuity plan and disaster recovery plans in place.

In the circumstances, the County Executive could lose vital data and information in case of occurrence of any disaster.

Management Response

The Management responded as follows—

i. ICT Policy

ERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management has carried out further reviews of the Draft ICT Policy. The final reviewed copy has been submitted to the cabinet for approval as per attached cabinet memorandum. Below is timeline for approval of the ICT Policy and Business Continuity and Disaster Recovery Plan 2025.

However, Management would like to state that there is no gap in Strategy and Policy direction as the County Government applies the National Government ICT Policy and ICT Standards issued by ICT Authority.

ii. Asset Tagging

Management has established an Asset Management and Liability committee to ensure all assets are identified and tagged. The committee has been given a time frame until 30th June 2026 to complete asset tagging. Attached is a letter of appointment.

iii. Business Continuity IT Disaster Recovery Plan

Management had developed Business Continuity and IT Disaster Recovery Strategy under the ICT Policy. This has however been separated as guided by audit to make it a stand- alone plan. The plan has been submitted to the cabinet for approval. Attached is a cabinet memorandum.

Committee Observations

The Committee observed that the Information System Audit and Control Association (ISACA) has developed a Control Objectives for Information and Related Technology (COBIT) framework which helps organizations implement sound governance practices for the ICT domain and offers the best practices and standards to support ICT governance.

Committee Recommendations

The County Executive fast-tracks the approval and implementation of the ICT Policy, Business Continuity Plan, and Disaster Recovery Plan to ensure robust risk management, as required by Regulation 158 of the PFM (County Governments) Regulations, 2015.

7.Failure to take Action on Issues Raised by the Internal and External Auditor by the Audit Committee

During the year under review, the internal audit department of County Executive conducted audit assignments and reported on their findings. However, there was no evidence that the issues raised were acted upon by the Management. Further, it was noted that a number of issues raised in the previous years' external audit remained unresolved.

In the circumstances, oversight over Management actions could not be established.

Management Response

Management is progressively addressing audit issues raised by both Internal and External audit as per attached action plan and the progress report of prior year audit matters. Additionally, management has directed all Accounting Officers to immediately address outstanding external and internal audit recommendations.

Committee Observation

The Committee observed that although a Business Continuity and IT Disaster Recovery Strategy has been developed and submitted for approval, management failed to act on issues raised by internal and external auditors, including unresolved findings from previous audits, indicating weak follow-up, accountability, and risk management practices.

Committee Recommendation

The Committee recommends that the Accounting Officers take immediate action to implement the recommendations made in the internal and external audit reports. A response and action plan must be developed and submitted to the chairperson of the audit committee, in compliance with Regulation 165 of the PFM (County Governments) Regulations, 2015, within 90 days after the adoption of this report.

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

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

UNQUALIFIED OPINION

1. Budgetary Control and Performance

MATTERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis amounts of Kshs.15,922,036,803 and Kshs.12,754,197,459, respectively resulting to underfunding of Kshs.3,167,839,345 or 20% of the budget.

Similarly, the statement reflects total actual payments of Kshs.12,069,179,489 against approved budget of Kshs.15,922,036,803 resulting to under-performance of Kshs.3,852,857,314 or 24% of the budget.

Management Response

The Management responded as follows—

i. Under-Funding

The under-funding was caused by:

- a) Under collection of Own Source Revenue by Ksh. 627,905,314
- b) Non receipt of all the budgeted donor funds of Ksh. 2,539,933,194

Management however reports that some funds were sent from Donors after closure of the Financial Year as indicated in the full response.

Committee Observation

The Committee observed that;

- 1) the county entities did not receive exchequer releases from the National Treasury on time.
- 2) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
- 3) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendation

The Committee recommends that; -

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

2. Under Collection of Own Source Revenue

The statement of comparison of budget and actual amounts indicates that the County Government collected own source revenue amounting to Kshs.414,556,229 against approved budget of Kshs.1,042,461,543 resulting to under-collection of Kshs.627,905,314 or 60% of the budget.

Management Response

The Management responded as follows—

The reasons for under-collection of revenue were as follows:

- a) Unrealistic own source revenue projection;
- b) Weak revenue management team that has since been addressed;
- c) Existing gaps in legal framework; and
- d) Resistance to pay fees and charged from local business persons and citizens.

Management has put in place more aggressive strategies to enhance revenue collection as highlighted above. The current year revenue projection has been based on historical performance and verifiable parameters including number of businesses, Public Service Vehicles among others

Committee Observation

The Committee observed that there was under collection of revenues by the County Executive. This represented a laxity in the execution of the County Executive's mandate and potential shortfalls in the near future.

Committee Recommendation

The Committee recommended that the Management reform its revenue collection and present a progress and implementation report within ninety (90) days.

3. Unresolved Prior Year Matters

In the previous year audit, three issues were raised under Report on the Financial Statement and Report on Lawfulness and Effectiveness in the Use of Public Resources. The issues were on receipts in cash book not in bank statements, budgetary control and performance and late disbursement of funds.

However, no supporting documents were provided for audit review to show how the resolved issues were resolved and no explanation was given on the delay in resolving one issue.

Management Response

Management has provided the current action plan on the Auditors recommendations.

Committee Observation

The Committee observed that issues from previous financial years had not been

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

resolved

Committee Recommendations

The Committee Recommends that—

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

4. Lack of Internal Audit Reports

Audit review revealed that during the year under review, internal audit department did not carry out any audit on County Revenue Fund.

Management Response

The management has taken note of the audit finding. An audit has been carried out and draft audit report has been attached for audit review.

Committee Observation

The Committee observed that the Management failed to ensure that the internal audit department carried out its mandate as per the provisions of regulation 153 of the Public Finance Management (County Government) Regulations.

Committee Recommendation

The Committee recommends that the Management ensure that the independence of the Internal Auditor as outlined in regulation 155 of the Public Finance Management (County Government) Regulations is maintained.

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

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

1. Unconfirmed Revenue from County Housing, Stalls and Kiosks Rent

The statement of revenue and disbursements reflects property rent amounting to Kshs.17,594,187. Included in this amount is Kshs.12,588,168 and Kshs.1,196,450 for County Housing and Stalls/Kiosks rent respectively. The tenants' agreements and the list of all the County houses, stalls and kiosks in respect of rent chargeable and charged were not provided for audit review. The stalls at the bus park were not numbered for identification. Some stalls had been sub-rented to third parties who paid rent to their "Landlords. The identified third party could not confirm that they had paid the rent due for the stalls to Bungoma County Receiver of Revenue.

Management Response:

- i. Tenancy agreements and the list of all the County houses.
Tenancy agreements and the list of all the County houses has been provided for audit review.
- ii. BARMS lacked configuration
At time of audit, it had not been activated. iii. Sub-letting Management prohibits sub-letting as per the attached tenancy agreement and letter of offer.

ERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management has directed the county enforcement unit to investigate this matter of sub-letting and provide a report within sixty days.

Committee Observation

The Committee observed that the documents submitted were incomplete.

Committee Recommendation

The Committee recommends that the County Executive submit the report of the County Enforcement within sixty (60) days of the adoption of this report.

The Committee also recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.

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

2. Unreconciled Variances Between Amounts Reflected in the Statement of Cash Flows and System Generated Receipts

The statement of cash flows reflects amounts of Kshs.335,950,623 for various revenue streams which differ with the amounts as per Bungoma Automated Revenue Management System (BARMS) generated receipts of Kshs.323,723,691, resulting to an unexplained variance of Kshs.12,226,932.

Management Response:

The variance was caused by revenue collection of Ksh. 12,226,932 from housing and stalls which had not been captured in the system. At the time of audit, the housing and stalls module had not been activated in the system. The module is now active and variances of this nature will not occur.

Committee Observation

The Committee observed that the management did not provide supporting documents to respond to the query.

Committee Recommendation

The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.

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

3. Unsupported Waivers and Exemptions on Level 4 and 5 Hospitals

The statement of revenue and disbursements and as disclosed in Note 24 to the revenue statements reflects waivers and exemptions amount of Kshs.39,295,241 which includes Level 4 and 5 hospitals waivers amount of Kshs.31,919,837. The supporting document provided did not have all the names of beneficiary patients, not all patients listed had reasons for waivers and amount waived per patient. The minutes provided indicated a list of patients who were not in the schedule of waivers provided for audit.

Management Response:

- i. Unsupported Waivers and Exemptions on Level 4 and 5 Hospitals Management has provided for audit review the names of beneficiary patients, dates of the waivers, reason for waivers, amount waived per patient and minutes for audit verification.

Committee Observation

The Committee observed that the supporting ledgers provided did not have all the names of the beneficiaries. Further, reason for waiver not listed for some patients and the supporting ledgers provided did not have all the names of the beneficiaries. Further, reason for waiver not listed for some patients.

This was in violation of regulation 64 of the Public Finance Management (County Governments) Regulations which states that the accounting officer or receiver of revenue or collector of revenue shall include the following details in the report—

- (a) The full name of each person benefiting from the waiver or variation;
- (b) the reasons for the waiver or variation; and
- (c) the law in terms of which the waiver or variation was granted.

Committee Recommendation

The Committee recommends—

ERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- (a) That the Management undertakes administrative action against the officers found in violation of regulation 64 of the Public Finance Management (County Government) Regulations; and
- (b) that the Management ensures constant compliance with the provisions of regulation 64 of the Public Finance Management (County Government) Regulations.

4. Unconfirmed Cash and Cash Equivalents Balance

The statement of financial position reflects a balance of Kshs.106,841,678 for cash and cash equivalents. Included in this, is Kshs.5,433,621 for the four accounts whose bank reconciliation statements and cashbooks were not provided for audit to review. The reported balances were bank statements balances and not cash book balances as required by the reporting template prescribed by the Public Sector Accounting Standards Board.

Management Response:

Bank reconciliation statements and cashbooks were not provided for audit to review. Management provided cashbooks and bank reconciliation statements which according to audit were not in the format expected. The auditors have guided on the format prescribed by Public Sector Accounting Standards Board. Management has configured the new format in the revenue system. Attached is the new sample report generated from the revenue system.

Committee Observation

The Committee observed that the Management had failed to maintain cashbooks and monthly bank reconciliation statements during the year under review. This was in violation of regulation 22 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015, states that the Accounting Officer shall in accordance with Article 226(2) of the Constitution and in accordance with Section 149 (1) of the Public Finance Management Act, 2012, be accountable to the County Assembly for measures taken to prepare financial reports that reflect a true and fair view of the financial position of the entity.

Committee Recommendation

The Committee recommends that the County Executive ensures that all relevant accounting officers are adequately trained

5. Unconfirmed Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.268,398,383 which includes cess and land rates of Kshs.84,641,795 and Kshs.183,756,587 respectively. In the ageing analysis provided, receivables amounting to

Kshs.206,195,223 were aged over 3 years, and no documentary evidence was provided for audit indicating efforts made by Management to recover the debts.

Management Response:

Management has made several attempts including visiting the clients and issuing the demand notices requesting for payment of the debts. Additionally, management has initiated legal action against defaulters as per the attached letter to the County Attorney.

Committee Observation

The Committee observed that while the management has made steps to reconcile the debts owed to them, there is no evidence of recovery. The Committee observed that the accuracy and recoverability of the longstanding receivables cannot be confirmed and therefore considered the issue as unaddressed.

Committee Recommendation

The Committee recommended that the accounting officer should take stricter measures to ensure recovery of outstanding debts and provide a progress report within ninety (90) days of the adoption of this report.

6. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.358,551,600 which includes Level 4 and 5 Hospitals receivables amount of Kshs.231,192,217. The amount includes Kshs.73,903,076 for Bumula, Kimilili, Naitiri, Bokoli, Cheptais, Chwele and Mt. Elgon hospitals.

Management Response:

Management has provided the ledgers indicating invoice date, invoice number, name of the debtor, details of the debt and amounts for audit verification. Management acknowledges that there are still some gaps which was caused by data migration from the old to new system.

Committee Observation

The Committee observed that the Management did not provide supporting documents to respond to the query.

Committee Recommendation

The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap.

F. S LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.

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

7. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis amounts of Kshs.1,777,933,189 and Kshs.1,394,958,013 respectively, resulting to under-collection of revenue by Kshs.382,975,176 or 22% of the budget.

Management Response:

Management agrees to the audit finding. Adequate measures have been put in place to enhance revenue. Key among the measures as indicated in the response.

Committee Observation

The Committee observed that;

- 1) the county entities did not receive exchequer releases from the National Treasury on time.
- 2) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
- 3) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendation

The Committee recommends that; -

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

The Committee further recommends that the County Assemblies should exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.

8. Unresolved Prior Year Matters

The audit report of the previous year, several issues were raised under Report on the Revenue Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report of Effectiveness of Internal Controls, Risk Management and Governance as indicated in Appendix I. No documentary evidence was provided indicating how the issues were resolved and the delay in resolving the other issues.

Management Response:

Management has resolved some audit recommendations and attached appendixes.

Committee Observation

The Committee observed that issues from previous financial years had not been resolved.

Committee Recommendation

The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Payables due to County Revenue Fund

The statement of financial position and as disclosed in Note 28 to the revenue statements reflects payables due to the County Revenue Fund (CRF) balance of Kshs.733,791,661. The balance includes amount collected and not disbursed to CRF of Kshs.5,433,621 and amount collected but retained in the operation account of Kshs.101,408,057. Management did not provide explanation for not remitting the amounts to the County Revenue Fund. Revenue totaling Kshs.4,070,713 deposited in a local bank is yet to be remitted to County Revenue Fund.

Management Response:

Unremitted Revenue of Kshs. 101,408,057 This amount relates to collections from county health facilities. The collections were retained in compliance with Section 5(1) Facilities Improvement Financing Act, 2023 approved by the Senate. ii. Unremitted Revenue of Kshs. 5,433,621 This amount was revenue collected on 30th June 2025 and subsequently transferred to the County Revenue Fund on 2nd July, 2025.

Committee Observations

The Committee observed that there was a breach of regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 states that, the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in

COPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

any case not later than five (5) working days after receipt thereof.

Committee Recommendation

The Committee recommends that the accounting Officer to address the issue and ensure prompt remittance of funds to CRF and provide supporting documents to the office of the Auditor General for verification within ninety (90) days of the adoption of this report.

The Committee further recommends that administrative action be taken against officers who breached regulation 81(2) of the Public Finance Management (County Governments) Regulations.

2. Revenue from Hire of County Halls and Stadium

The statement of revenue and disbursements reflects an amount of Kshs.23,140,955 for hire of county assets This amount is Agricultural Mechanization Services revenue of Kshs.1,169,250, hire of county halls/stadium of Kshs.79,500 and conference facilities Agricultural Training Centres of Kshs.21,892,204 The revenue was not remitted to the Receiver of Revenue for subsequent transfer to the County Revenue Fund but was spent at source within the various institutions.

Management Response:

Mabanga Agricultural Training Centre is an institution inherited from the National Government in relation to devolved functions. The institution currently uses the National Governments Demonstration Farm Fund (DFF) Operations manual for Agricultural Training Centers-2011 in accordance to Section 8(2) of the County Governments Act, 2012.

Committee Observations

The Committee observed that there was a breach of regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 states that, the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

Committee Recommendation

The Committee recommends that the accounting officer to address the issue and ensure prompt remittance of funds to CRF and provide supporting documents to the office of the Auditor General for verification within ninety (90) days of the adoption of this report.

The Committee further recommends that administrative action be taken against officers who breached regulation 81(2) of the Public Finance Management (County Governments) Regulations.

3. Loss of Revenue due to Unoccupied Market Stalls - Chebkube Market

The statement of revenue and disbursements reflects property rent amounting to Kshs.17,594,187. An amount of Kshs.1,196,450 relates to stalls/kiosks rent. Audit inspection revealed that the Department of Trade constructed Chebkube Market including twenty-one (21) kiosks/stalls that had not been occupied since the launch of the market in April 2024.

Management Response:

These stalls were allocated in April 2024. At the time of audit, the successful tenants had not occupied the stalls. Management attached the letters of allocation issued to tenants.

Committee Observations

The Committee observed the provisions of regulation 63 (1) of Public Finance Management (County Governments) Regulations, 2015 which stipulates that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating

Committee Recommendation

The Committee recommends that Accounting Officer to ensure the stalls are properly rented to improve revenue collection.

4. Failure to Comply with the Law on Issuance of Liquor Licenses

The statement of revenue and disbursements reflects administration control fees and charges amounting to Kshs.32,339,067. Included in this amount is Kshs.9,920,250 for liquor licenses. Audit review of the vetting process revealed that there was no Sub-County Alcoholic Drinks Regulation Committees formed for that purpose. There was no enforcement committee to coordinate the enforcement of the Act.

Management Response:

The Sub-County Alcoholic Drinks Regulation Committees was appointed. Management has developed Alcoholic Drinks Control Regulations to operationalize the Act.

Committee Observations

The Committee observed that section 6 of Bungoma County Alcoholic Drinks Control Act, 2015 which provides that there is established a Fund to be known as Alcoholic Drinks Control Fund

The Committee further observed that section 30(1) of National Rating Act, 2024 which provides that a county government shall cause preparation of a valuation roll to be undertaken in every five years on the ratable properties within the county.

Committee Recommendation

PAGES LAID	
DATE	
TABLED BY	
COMMITTEE	
AT THE TABLE	

The Committee recommends that the accounting officer is to ensure stricter compliance with the law.

5. Failure to Establish Alcoholic Drinks Control Fund

Receiver of Revenue records revealed that Management had not established Alcoholic Drinks Control Fund.

Management Response

Management has developed Alcoholic Drinks Control Regulations which establishes the Fund.

Committee Observations

The Committee observed the provisions of section 6 of the Bungoma County Alcoholic Drinks Control Act, 2015 which provides that there is established a Fund to be known as Alcoholic Drinks Control Fund had not been complied with at the time of the audit.

Committee Recommendations

The Committee recommends that the County Executive ensures the establishment of the fund and provide evidence to the Office of the Auditor General within ninety(90) days of the adoption of this report.

6. Use of Outdated Valuation Roll

The statement of revenue and disbursements reflects land rates revenue amounting to Kshs.52,219,237 Review of the revenue collection process revealed that the Receiver of Revenue used a valuation roll for the year 2006. Further, the roll did not disclose details of all the land parcels within the County, the value of land, use of property, the assessment for the improvements, size, name and address of the ratable owner.

Management Response:

Management submitted the Valuation Rolls for Bungoma, Webuye and Kimilili to the County Assembly for approval. This was awaiting the Bungoma County Valuation and Rating Act 2025 which has since been approved and assented to.

Committee Recommendations

The Committee observed that the provisions of section 30(1) of National Rating Act, 2024 which provides that a county government shall cause preparation of a valuation roll to be undertaken in every five years on the ratable properties within the county had not been adhered to at the time of the audit.

Committee Observations

The Committee recommends that the County Executive ensures that the preparation of a valuation roll is undertaken and that it provides evidence to the Office of the Auditor General within ninety (90) days of the adoption of this report.

7. Failure to Submit Waivers and Exemptions Report to the County Assembly

Note 24 to the revenue statements reflects waivers and exemptions amount of Kshs.39,295,242 which includes Level 4 and 5 hospitals waivers amount of Kshs.31,919,837 and land rates waivers of Kshs.7,375,404. Management did not provide evidence to show that the waivers and exemptions reports were submitted to the County Assembly.

Management Response:

Management takes note of the observation and is now forwarding all waivers to the County Assembly in compliance with Section 165 (4) of the Public Finance Management Act, 2012.

Committee Observation

The Committee observed that there was no compliance with section 165 (4) of the Public Finance Management Act, Cap 412A which provides that not later than two months after the end of each financial year, a receiver of revenue for the county government shall submit to a county assembly a report with respect to all waivers and variations of taxes, fees or charges granted by the receiver of revenue during that year

Committee Recommendation

The Committee recommends that—

- a) The County Executive ensures that administrative action is taken against the officer(s) who failed to comply with section 165 of the Public Finance Management, Cap 412A; and**
- b) Management to ensure future waivers are submitted to the County Assembly.**

8. Unexplained Transfer of Funds

Analysis of bank statements of a revenue collection bank account revealed two instances where revenue collected amounting to Kshs.1,817,977 was not remitted to the County Revenue Fund. The narration in the bank statements indicates that an amount of Kshs.1,600,000 was paid into a Bungoma County Government imprest account and Kshs.217,977 was paid into a loan settlement account.

Management Response:

The transfers related to loan recovery by the bank on overdue interest on salary loan advanced to pay County Government workers. Management had sought for the loan facility to caution staff against delayed salary arising from late exchequer release. Management has since regularized the transfers.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
DATE OF THE TABLE	

Committee Observation

The Committee observed that there was a failure to comply with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations, 2015 provides that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments and agencies.

Committee Recommendation

The Committee recommends that—

1. The County Executive ensures that administrative action is taken against the officer(s) who failed to comply with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations;
2. The Accounting Officer to ensure the funds are refunded to the Receiver of Revenue bank account and submit supporting documents to the office of the Auditor General for verification.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Reliability of Data Maintained in Bungoma Automated Revenue Management System

Analysis of system-generated receipts from BARMS system revealed 307 instances where receipts for the several streams of revenue were issued with zero amounts. The receipts were expected to reflect actual total revenue amount of Kshs.620,300. The issuance of zero-value receipts without supporting documentation raises concerns about the integrity of the revenue collection process. Further one hundred and twenty-two (122) instances where receipts were generated for amounts below Kshs.30. However, the County Finance Act did not have provisions for services or charges below this threshold.

Management Response:

Management took note of the findings. The zero value receipts are for the cancelled receipts which were posted erroneously. The Bungoma County Finance Act of 2023 has fees and charges below ksh.30.

Committee Observation

The Committee observed that there was a laxity in reliability of information expected of the accounting officers. The Committee further observed the provisions of regulations 63 (1) of Public Finance Management (County Governments) Regulations, 2015 stipulates that: An -

accounting officer and a receiver of revenue are personally responsible for ensuring that-(a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

Committee Recommendation

The Committee recommends that—

- 1. The County Executive ensures that administrative action is taken against the officer(s) who failed to comply with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations;**
- 2. The Accounting Officer to ensure the funds are refunded to the Receiver of Revenue bank account and submit supporting documents to the office of the Auditor General for verification.**

2. Over Reliance on the System Vendor

The County relies heavily on the vendor to generate revenue reports. The revenue management system is fully controlled by the vendor, At the database level, it was noted that the Receiver of Revenue had not implemented adequate controls to monitor and review activities performed by the vendor. The critical functions such as access to logs, changes made to the database, and other vendor-related activities were not independently reviewed by County ICT staff.

Management Response:

Management has noted the gaps as highlighted in the audit finding. A job indent for recruitment of a qualified system Administrator has been submitted to the County public service board for recruitment.

Committee Observation

The Committee observed that there were poor risk management controls exercised by the County Executive due to their overreliance on the vendor for revenue management.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring that the Receiver of Revenue staff are properly trained to be able to fully operate the system and rights be given to the authorized officers for access to the system.

3. Deficiency in ICT Policy Framework

Review of information system management revealed that the Receiver of Revenue has not developed and implemented the critical policies on ICT including Security Policy, Backup Policy, Data Classification Policy and Change Management Policy.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response:

Management has developed Draft ICT Policy. However, Management would like to state that there is no gap in Strategy and Policy direction as the County Government applies the National Government ICT Policy and ICT Standards issued by ICT Authority.

Committee Observation

The Committee observed that there were poor risk management controls exercised by the County Executive due to the lack of an active ICT policy.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring the development and implementation of an ICT Policy framework and submit evidence to the office of the Auditor General for verification within ninety(90) days of the adoption of this report.

4. Lack of On-Premise Data Centre

The County Government does not have an on-premise Data Centre as indicated in its contract agreement with vendor, the County relies entirely on the vendor's infrastructure to host and manage revenue systems.

Management Response:

The management states that there is a shared Data Centre at the County Headquarter.

Committee Observations

The Committee observed that there were poor risk management controls exercised by the County Executive due to their overreliance on the vendor.

Committee Recommendations

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring the establishment of an on-premise Data Centre as indicated in its contract agreement and submit evidence to the office of the Auditor General for verification.

The Committee further recommends that the Management submits an implementation report within ninety (90) days of the adoption of this report.

5. Inadequate Management of User Accounts

The audit established that user accounts in BARMS were created without documented approval from the respective Heads of Departments. The ICT department/Systems Administrator

processed user creation requests directly without evidence of authorization or formal verification of the users' roles and responsibilities.

Management Response:

Management has developed the user request forms to guide system user management. This will ensure all new users and user roles are authorized.

Committee Observation

The Committee observed that there was non-compliance with regulation 158(b) of the Public Finance Management (County Government) Regulations that posed a risk to the efficiency of revenue collection.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring that the accounting officer to ensure there is formal verification of the users' roles and responsibilities when creating user accounts and submit evidence to the office of the Auditor General.

The Committee further recommends that the Management submits an implementation report within ninety (90) days of the adoption of this report.

6. Lack of Change Management Policy

There were no formal procedures for the receiver of revenue to follow in effecting any changes to the systems in place. The mechanisms include change management forms, review and approval of changes, testing of changes, implementing changes, periodic reporting of changes and post implementation review of changes done to critical systems. The absence of ICT policy exposes the receiver of revenue to various risks like security vulnerabilities, data loss, and non-compliance with regulations.

Management Response:

Management has developed a Draft ICT policy that has a component on change management. Attached is a copy of the policy.

Committee Observation

The Committee observed that the lack of change management policy posed a risk to the efficiency of the revenue collection operations of the county. This was in violation of regulation 158 (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the accounting officer develops a system of risk management and internal control that builds robust business operations.

Committee Recommendation

PERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Committee recommends that the accounting officer ensures the implementation of a change management policy and further that the Management submits an implementation report within ninety (90) days of the adoption of this report.

7. Lack of Business Continuity Plan

Audit review revealed that the Receiver of Revenue did not have in place ICT continuity plan and disaster recovery plan during the year under audit review. No documentary evidence to confirm that the Receiver of Revenue had a strategic plan and an operational plan in place. In addition, the Receiver of Revenue Directorate did not have alternative power supply hence hindering revenue collection and daily operations of the entity.

Management Response:

Management had developed Business Continuity Plan. The plan has been submitted to the cabinet for approval. Attached is a cabinet memorandum.

Committee Observation

The Committee observed that there was a serious risk posed to the county revenue operations due to the lack of an ICT continuity plan and disaster recovery plan. The absence of alternative power supply further posed a risk to the collection and daily operations of the entity and thus a serious financial risk remained unaddressed.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring that an ICT continuity plan and disaster recovery plan are implemented. The Committee further recommends that the accounting Officer ensures that a standby generator is installed to cater for the times of blackout so that collection of revenue is not interrupted by lack of internet. The County Executive is to submit an implementation report within ninety (90) days of the adoption of this report

8. Poor Management of Parking Areas

Management did not provide a list of all the gazette areas for purposes of revenue collection from parking within Bungoma County. No proper controls put in place to ensure all parked vehicles pay the parking fees promptly to the County. Audit inspection done within Bungoma town revealed that parking areas are not marked leading to haphazard parking in the streets of Bungoma town.

Management Response

Management had installed a Parking Management System at Bungoma Bus Park but it was lost due to vandalism. Additionally, Management takes note of this and the implementation of the

Bungoma County Revenue Enhancement Action Plans 2025 factors in gazettelement and marking of the Parking areas in the Current Financial year 2025-2026

Committee Observation

The Committee observed that there was a failure to properly manage parking areas by the County Executive which was contrary to the provisions of regulation 63(1)(a) of the Public Finance Management (County Government) Regulations, 2015 provides that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments and agencies.

Committee Recommendation

The Committee recommends that the County Executive ensure strict compliance with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations by ensuring —

- 1. That the Accounting Officer ensures that all the parking places are mapped and gazetted;**
- 2. That proper controls are put in place to ensure all vehicles eligible for paying parking fees pay promptly with proper documentation maintained; and**
- 3. That parking slots are properly marked in the various towns in Bungoma County.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
AT THE TABLE	

CHAPTER FOURTEEN

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

The Governor of Laikipia County, H.E. Joshua Wakahora Irungu, EGH, appeared before the Committee on Wednesday, 28th February 2026 to respond, under oath, to audit queries raised in the Auditor-General's Report on the Financial Statements of the Laikipia County Executive for the Financial Year 2024/2025

THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF LAIKIPIA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025

Basis for Qualified Opinion

1.0 Variances in Transfer to Other Government Entities

The statement of financial performance and Note 9 to the financial statements reflect Kshs.418,357,458 in respect of transfer to other Government entities. Included in the amount are transfers totaling Kshs. 20,010,951 to three (3) county government entities but which differed from the amounts disclosed in the entities' respective financial statements submitted for audit. The variances as shown in the table below were not explained or reconciled:

County Entity	County Financial (Kshs)	Executive's Entity' Statements (Kshs)	Financial statements (Kshs)	Variance (Kshs)
Rumuruti Municipality	7,000,000		9,500,000	(2,500,000)
Nanyuki Municipality	7,100,000		7,000,000	100,000

Laikipia County Development Authority	5,910,951	5,900,000	10,951
Total	20,010,951		

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

Management Response

Reconciliation of variances between the County Executive Transfers Expenses and County Entities Reported receipts from the County Executive is explained in the below tables.

Laikipia County Development Authority (LCDA)

Amount reported as transferred in the County Executive FS	Amount Reported as received in the recipient FS (Amended FS)	Variance Noted	Remarks
5,910,951	5,910,951	-	The Audited Financial Statements for Laikipia County Development Authority (Statement of Cash flows) for the FY 2024/25 indicate an actual total receipt from the County Executive of Kshs 5,910,951. There is therefore no variance between the County Executive & LCDA financial statements. See appendix 1.1 (Extract of LCDA's Audited Financial Statements for FY 2024/25) The variance noted of Kshs 10,951 had originally appeared but resolved through an amendment of the LCDA's financial statements

Rumuruti Municipality

PAGE 3 Laid	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The variance noted of Kshs 2,500,000 relates to a transfer done on 1st July 2024 (FY 2023/24) from the County Executive to Rumuruti Municipality Board. While the transfer was recognized by the County Executive in its financial statements in the FY 2023/24, the same transfer has on the other hand been recognized (as a revenue) by the Board in the FY 2024/25.

The timing difference in recognizing the transaction between the County Executive and Rumuruti Municipality Board is due to the cut-off date issue that affects the County Executive (but doesn't usually extend to entities). Due to exchequer release delays public entities operating in IFMIS are given an extension to finalize their exchequer withdrawals and payments usually within the month of July every financial year.

Date	Transaction Ref No	Voucher No	Amount	Remarks
01/07/2024	FT24183Q750W	4523-D-3RMT (A)	2,500,000	The figure transferred on 1st July 2024 has been treated differently by the reporting entities. The County Executive has recognized the transaction within Financial Year 2023/2024, whereas Rumuruti Municipality has classified the same transaction as pertaining to Financial Year 2024/2025.
		Total transfers done in July 2024 (A)	2,500,000	
28/10/2024	FT24302SBF CZ	RMT-REC-01	1,000,000	Transferred in FY 2024/25
03/12/2024	FT24338PQNH5	RMT-REC-02	1,000,000	Transferred in FY 2024/25

06/12/2024	FT243417JT24	RMT-DEV-01	2,500,000	Transferred in FY 2024/25
15/05/2025	FT25135YWH7G	RMT-DEV-02	2,500,000	Transferred in FY 2024/25
		Total transfers from County Executive to Rumuruti Municipality in FY 2024/25 (B)	7,000,000	
		Total transfers reported as revenue by Rumuruti Municipality in FY 2024/25 (C=A+B)	9,500,000	

Nanyuki Municipality

Description	Amount	Remarks
Transfers made before 30th June 2025 (A)	4,600,000	mutually reported by both the County Executive & Nanyuki Municipality
Transfers made on 8th July 2025 (B)	2,500,000	Transfer made during the extension period of FY 2024/25 also reported by the Municipality board as a receivable since its cutoff date is 30th June 2025
Total transfers made from the County Executive (C= A+B)	7,100,000	

MATTERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Amount reported as total receipts by Nanyuki Municipality Board (D)	7,150,000	The Total revenues reported in the Annual Financial statements for Nanyuki Municipality for FY 2024/25 was Kshs 7,150,000 and not kshs 7,000,000 as mentioned in the Audit Report. see Appendix 1.3 for Extract of Audited Financial Statements (Financial performance) &
Variance (E= C-D)	50,000	Receipt received by Nanyuki Municipality from Rumuruti Municipality. See Appendix 1.4 for extracts of Nanyuki Municipality cash book & bank statements showing the receipt of Kshs 50,000)

Committee Observation

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

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2.0 Trade and Other Payables

2.1 Unsupported Trade Payables

The statement of financial position and Note 15 to the financial statements reflect trade and other payables opening and closing balances of Kshs. 2,072,569,736 and Kshs. 1,935,664,585, respectively. The closing balance includes trade payables of Kshs. 1,671,529,901. However, included in the balance are payables totaling Kshs. 1,154,508,149, which were not supported by requisitions, local purchase/service orders, invoices, delivery notes, signed contract agreements and description of the project and/or project locations.

Further, the County Executive did not undertake the mandatory supplier circularization and reconciliation exercise as guided under Paragraph 2.3.1 of The National Treasury and Economic Planning Circular No. 03/2025 of 14 April, 2025, which provided guidelines on transition from

cash to accrual accounting. In addition, supplier confirmations, reconciliations, and supporting documentation were not provided for audit.

In the circumstances, the accuracy and completeness of the opening and closing trade and other payable balances of Kshs. 2,072,569,736 and Kshs. 1,935,664,585, respectively could not be confirmed.

Management Response

The validation exercise of the trade payables is still ongoing. The settlement of the payables is strictly subject to meeting the required standards of being supported. The purpose of maintaining all payables in a single register is for the purpose of recognizing them in our 1st set of Accrual Basis of Accounting

Annual financial statements. PSASB guidelines (supported by IPSAS 33) advocates for entities adopting IPSAS Accrual for the 1st Time to recognize all their financial liabilities (alongside financial Assets) in their 1st year of adoption. This approach is meant to ensure that the County Treasury discloses and gets visibility of its financial obligations.

Below is summary tables on the progress made on the trade payables validation exercise

Laikipia County Pending Bills FY 2025.2026 Analysis						
Missing Vouchers Pending Bills FY 2025.2026 Analysis						
Departments	Cumulative years from FY 2012/13 to 2020/21	2021/2022	2022/2023	2023/2024	2024/2025	TOTALS
Administration	39,958,646	76,661,101	22,146,892	30,716,478	-	169,483,117
Finance	8,892,597	8,087,320	3,124,060	2,014,505	13,677,000	35,795,482
Health	76,877,783	204,348,372	32,914,051	3,848,000	-	317,988,206
Agriculture	12,858,805	36,000	-	927,755	-	13,822,560
Infrastructure	140,159,067	13,432,336	1,784,800	12,718,060	-	168,094,264
Education	61,286,529	4,172,837	5,670,376	-	-	71,129,742

PERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Trade	31,671,993	35,000	260,800	-	-	31,967,793
Water	141,362,215	15,786,895	2,568,771	-	-	159,717,881
Totals	513,067,635	322,559,861	68,469,750	50,224,798	13,677,000	967,999,044

LAIKIPIA COUNTY PENDING BILLS FY 2025.2026 ANALYSIS

AVAILABLE PENDING BILLS FY 2025.2026 ANALYSIS

Departments	Cumulative From FY 2014/15 - FY 2020/21	2021/2022	2022/2023	2023/2024	2024/2025	Totals
Administration	66,767,539	34,495,867	8,123,282	240,500	-	109,627,188
Finance	17,523,927	12,492,896	12,199,630	23,632,295	-	65,848,748
Health	18,241,577	9,402,622	8,898,902	78,908,872	-	115,451,974
Agriculture	18,649,661	2,607,100	-	-	-	21,256,761
Infrastructure	39,716,340	59,787,449	-	5,762,904	-	105,266,693
Education	9,757,717	2,818,543	3,048,300	8,399,816	-	24,024,376
Trade	29,903,612	857,985	1,868,826	4,600,026	-	37,230,450
Water	165,485,796	28,528,293	727,320	1,309,800	-	196,051,209
Totals	366,046,170	150,990,754	34,866,260	122,854,214	-	674,757,398

The County Executive was not able to implement the requirements as stipulated in the National Treasury Circular of April 2025 on circularization of trade payables due to the limited time that was left in FY 2024/25 (4th Quarter).

The County Executive has however uploaded the payables onto the County Website (for stakeholder review and validation. The County Executive expects the feedback from stakeholders to form part of its validation exercise currently being undertaken.

Further, the County Executive in the FY 2022/2023 had conducted a pending bills (trade payables) verification exercise that served the purpose of circularization for older pending bills. The formal process of circularization of trade payables is expected to begin in the 2nd half of the

FY 2025/26. The outcome of this process will, be affected in the Annual Financial statements for FY 2025/26 including derecognition of those found not to be supported.

Committee Observation

The Committee noted that;

- 1) The expenditure amounting to Kenya Shillings 1.1 billion was not supported by the requisite documentation, including requisitions, purchase orders, invoices, delivery notes, and duly executed contracts contrary to section 62 of the Public Audit Act.
- 2) The supplier circularization and reconciliation exercise had not been undertaken, and that the County Executive had indicated that the validation of these balances was ongoing.
- 3) The Governor's explanation that settlement of the pending payables would only be undertaken after the validation process confirmed the availability of adequate budgetary provision, in accordance with the National Treasury Circular guidelines.

Committee Recommendations

The Committee therefore recommends that:

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

BILLS LAID	
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.
- viii. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.

2.2 Long Outstanding Payables

The statement of financial position and Note 15 to financial statements reflects trade and other payables of Kshs. 1,935,664,585, which includes Kshs. 1,671,529,901 in respect of trade payables. The ageing analysis for the trade payables indicates that payables amounting to Kshs.1,310,222,624 have been outstanding for over three (3) years. However, no explanation was given for the non-payment of payables, which should have been paid as a first charge. This

was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that debt service payments be treated as a first charge on the County Revenue Fund.

In the circumstances, the accuracy and completeness of the trade payables balance of Kshs. 1,671,529,901 could not be confirmed.

Management Response

The County Executive has been prioritizing the clearance of Payables with Kshs 564,034,198 having been settled in the FY 2024/25 and an additional Kshs 251,535,110 in the current FY 2025/26 (as at 31 st Dec 2025). The current outstanding pending bill as at 31 st December 2025 is Kshs 1,649,990, 629. This has been enabled by the consistent budgeting of an average of Kshs 400 million over the last 4 years for settlement of pending bills. This is a demonstration of the commitment the County Executive places on the settlement of its financial obligations. Below is a tabulation of the account's payables (pending bills) cleared over the last 4 financial years as well as the annual allocation for settlement of the same.	FY 2022/23	FY 2023/24	FY2024/25	FY 2025/26	TOTAL

PERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

CATEGORY					
Construction of Buildings	133,747,677	55,312,753	76,286,175	-	265,346,605
Construction of Civil Works	219,550,822	72,453,928	216,262,623	30,598,080	538,865,453
Supply of Goods	139,874,968	149,831,306	160,229,158	12,942,880	462,878,312
Supply of Services	83,120,541	178,656,966	111,256,243	207,994,150	581,027,900
TOTAL	576,294,008	456,254,953	564,034,198	251,535,110	1,848,118,269

The County Treasury has progressively been undertaking reconciliation of the payables as more details and documentation for their support is availed. A comprehensive validation exercise is undertaken before payables are settled to ensure that only fully supported eligible bills are cleared.

Validated payables are prioritized and scheduled for payment in line with an approved payment plan and subject to available cash flows. A payment plan is prepared annually and updated regularly with fully supported payables on a First in First Out basis.

Enhanced measures such as central management of payables at the County Treasury as well as daily updates, ageing analysis and weekly update reports have been put in place. These among other strict controls are expected to ensure that management and settlement of trade payables achieve equity and fairness to our creditors. It will also ensure that finances are applied in a prudent, efficient and effective manner.

Committee Observation

The Committee noted that;

- 1) Expenditure amounting to Kenya Shillings 1.1 billion was not supported by the requisite documentation, including requisitions, purchase orders, invoices, delivery notes, and duly signed contracts. The County Executive informed the Committee that the validation of these balances was ongoing.
- 2) the Governor explained that settlements will only occur after the validation process confirms the availability of adequate budgetary provision for the payables, in accordance with the National Treasury Circular guidelines.

Committee Recommendations

The Committee therefore recommends that:

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

The Committee further recommends that—

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

3.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.6,911,880,714 and Kshs.6,103,450,954 respectively, resulting to a shortfall of Kshs.808,429,760, or 12% of the budget. Similarly, the County Executive spent Kshs.5,722,126,550 against actual receipts of Kshs.6,103,450,954, resulting in an under absorption of Kshs.381,324,404, or 6% of the actual receipts.

The shortfall in receipts and under absorption affected the planned activities and may have impacted negatively on service delivery to the public.

The underfunding and under expenditure of the executive budget resulted from non-realization of budgeted revenues as indicated below. The revenue shortfall negatively affected the budget absorption levels.

Revenues	Final budget	Actual on comparable basis	Budget utilization difference	% of realization
Transfers from CRF	6,771,014,568	5,973,584,517	797,430,051	88%

The under realization of revenue budget was due to a 12% (Kshs 797,430,051) under realization of transfers from CRF attributed to;

Undisbursed transfers and conditional grants amounting to Kshs 452,864,302 from national government agencies.

Unrealized own source revenue amounting to Kshs 329,179,517 attributed to general economic hardship within the county as well as non-implementation of the valuation roll (as at June 2025)

The County Executive is continuously and actively working towards collecting more Own Source revenue through the Laikipia County revenue Board especially with the newly approved Valuation Roll 2021- 2031 see Appendix 3 County Assembly Approval Documents on the Laikipia County Valuation Roll 2021-2031.

A detailed analysis of the budget performance at the CRF level is provided below (Table 2 of the CRF Audited Annual Financial statements FY 2024/25; Detailed Analysis of Amounts Realized FY 2024/25)

Description	Approved Budget Estimates FY 2024/25	Total amounts Realized FY 2024/25	Realization variance FY 2024/25
	A	B	C = A-B
Equitable Share	5,387,034,732	5,387,035,309	(577)
County Own Source Revenue	872,500,000	543,320,483	329,179,517
Vocational training centres	30,000,000	16,895,192	13,104,808
Other local sources	842,500,000	526,425,291	316,074,709
Domestic & Foreign Grants & transfers from other government agencies	642,542,051	189,677,749	452,864,302
Kenya Devolution Support Programme II	37,500,000	-	37,500,000
DANIDA Grant	6,435,000	6,435,000	-
Community Health Promoters	25,230,000	-	25,230,000

Kenya Urban Development Grant	77,214,879	32,309,300	44,905,579
-------------------------------	------------	------------	------------

PAID		LAID	
DATE			
TABLED BY			
COMMITTEE			
CLERK AT THE TABLE			

Kenya Urban Institution Grant	35,000,000	-	35,000,000
Fuel Levy	235,196,042	80,806,317	154,389,725
Kenya Food Systems Resilience Program (KFSRP)	173,076,923	70,127,132	102,949,791
Kenya Agriculture Business Development Program (KABDP)	10,918,919	-	10,918,919
Basic Salary Arrears for County Government Health Workers	40,454,974	-	40,454,974
Court fines 2023/24 balance	1,515,314	-	1,515,314
Opening Balances & Other receipts	439,482,828	450,482,828	(11,000,000)
Opening Balance (equitable Share)	428,659,722	428,659,722	-
Laikipia County Revenue Fund	4,735,503	15,735,503	(11,000,000)
Returns to CRF	238,683	238,683	-
Other Receipts (insurance Compensation)	5,848,920	5,848,920	-
Grand Total	7,341,559,611	6,570,516,368	771,043,242

The underutilization of the Kshs 381,324,404 during the FY 2024/25 was largely due to transfer of funds to the special purpose Accounts held for the implementation of Donor funded County Programs and projects. With the late disbursements of Equitable Share as well as conditional Grants, there was last minute funding of the Accounts in the form of county Counterpart funding as well as transfer of the grants to the special purpose Accounts. The Projects/programs usually run through several financial years and therefore the funds are expected to be rolled over to the FY 2025/26 through a supplementary budget.

Description	As at June 2025 (Kshs)	Remarks
Recurrent Account	2,264,917	There was a flow back of funds from commercial bank Accounts for payments done to accounts with technical issues at the tail end of the FY 2024/25. With the IFMIS system having been suspended it was not possible to reinitiate the transactions
Development Account	4,849,034	There was a flow back of funds from commercial bank Accounts for payments done to accounts with technical issues at the tail end of the FY 2024/25. With the IFMIS system having been suspended it was not possible to reinitiate the transactions
Special Purpose Accounts	374,210,453	Funds transferred for programs & projects running across several financial years. Transferred at the end of the FY 2024/25 expected to be rolled over to FY 2025/26.
Total	381,324,404	

Committee Observations

The Committee observed that;

- 1) **There was an overall budget shortfall of Kshs. 808,429,760 (12%) and an under-absorption of Kshs. 381,324,404 (6%). This negatively impacted service delivery, contravening the principles of effectiveness and efficient use of resources as outlined in Article 201 of the Constitution and Section 12(2)(b) of the PFM Act.**
- 2) **The underfunding was primarily due to a significant shortfall in Own Source Revenue (Kshs. 329 million) and delayed/undisbursed conditional grants from the National Government (Kshs. 452 million). The failure to meet OSR targets points to weaknesses in revenue administration, contrary to the responsibility of a County Treasury under Section 104(1)(d) of the PFM Act.**

Committee Recommendations

The Committee therefore recommends that:

PAID & LAID	
DATE	
TABLED BY	
COMMITTEE	
AT THE TABLE	

- 1) The National Treasury should ensure the timely release of funds to County Governments in accordance with the approved cash disbursement schedules endorsed by the Senate, and in full compliance with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012.
- 2) The County Executive, through the County Treasury, implements immediate measures to enhance Own Source Revenue collection, including the full implementation of the approved valuation roll, to meet its annual revenue targets as required by the fiscal responsibility principles in Section 107 of the PFM Act.

4.0 Late Exchequer Releases

The statement of financial performance and Note 6 to the financial statements reflect transfers from CRF totaling Kshs. 5,973,584,517, which includes an amount of Kshs.5,387,035,309 received by the County Government from The National Treasury as exchequer issues. Included in the balance is an amount of Kshs.457,898,001 and Kshs.430.962,825, that was received on 20 June and 26 June, 2025 respectively. This was contrary to Section 17(6) of the Public Finance Management Act, 2012 which states that The National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to County Governments. The late exchequer releases could have adversely affected the implementation of the Management's planned activities and projects for the year ended 30 June, 2025.

Management Response

Throughout the FY 2024/25, the County Executive experienced substantial delays in disbursement of monthly Equitable share from National Treasury. Indeed, this hampered service delivery and occasioned delays in the processing of Exchequer transfers from CRF. Below is a tabular and graphical illustration of the delays experienced in the release of equitable shares.

MONTHS	ACTUAL RECEIVED	DATE	AMOUNT	REMARKS
JULY	26/07/2024		428,659,722	Equitable share for June FY 2023/24
AUGUST	N/A		-	Equitable share not received for (July) FY 2024/25
SEPTEMBER	24/09/2024		455,450,955	Equitable share for July 2024/25

OCTOBER	17/10/2024	428,659,723	Equitable share for August 2024/25
NOVEMBER	14/11/2024	455,450,955	Equitable share for September 2024/25
NOVEMBER	18/11/2024	428,659,723	Equitable share for October 2024/25
DECEMBER	16/12/2024	9,500,296	Equitable share for November 2024/25
DECEMBER	16/12/2024	457,898,001	Equitable share for November 2024/25
JANUARY	24/01/2025	430,962,825	Equitable share for December 2024/25
FEBRUARY	26/02/2025	457,898,001	Equitable share for January 2024/25

MARCH	N/A	-	Equitable share not received for (March) FY 2024/25
APRIL	24/04/2025	457,898,001	Equitable share for February 2024/25
MAY	15/05/2025	430,962,825	Equitable share for March 2024/25
MAY	28/05/2025	484,833,178	Equitable share for April 2024/25
JUNE	20/06/2025	457,898,001	Equitable share for May 2024/25
JUNE	26/06/2025	430,962,825	Equitable share for June 2024/25
		5,815,695,031	

It is our expectation that the National Treasury will effect timely disbursements going forward to alleviate this situation.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observation

The Committee noted that the County Executive experienced delays in the release of exchequer funds by the National Treasury of Kenya, contrary to Section 17(6) of the Public Finance Management Act, 2012, which requires that the National Treasury disburse monies to County Governments at the beginning of every quarter and not later than the fifteenth day from the commencement of the quarter. These delays adversely affected the County's ability to effectively implement its approved budget and planned programmes.

Committee Recommendation

The Committee recommends that the National Treasury ensure the timely release of funds to County Governments, in strict compliance with Section 17(6) of the Act and in accordance with the cash disbursement schedules approved by the Senate of Kenya, in order to facilitate the effective and timely implementation of county budgets and programmes.

OTHER MATTER

1.0 Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved several issues or given any explanation for the delay in resolving the issues as at 30 June, 2025 as detailed in the table below.

S/No	year of Audit	Audit issue
1	2023/2024	Non-compliance with the law on Fiscal Responsibility on Wage bill
2	2023/2024	Non-compliance with a Third of basic Salary Rule
3	2023/2024	Non-compliance to the Law on Ethnic Composition
4	2023/2024	Irregularities in the Procurement and Delivery of Dialysis Equipment

5	2023/2024	irregular payment of Allowances to Laikipia County Administration Police Welfare Account
6	2023/2024	pending Bills not paid as First Charge
7	2023/2024	Failure to Operate Fully on the E-procurement Platform
8	2023/2024	Ineffective internal Audit Department
9	2023/2024	Action on Internal & External Audit Reports by the Audit Committee
10	2023/2024	Failure to Tag Assets
11	2023/2024	Non-Disposal of Obsolete & unserviceable Assets

Management Response

The County Executive appeared before the Senate Public Accounts Committee on 30th May 2025 for consideration of the Audit report of the Annual Financial Statements for the Year ended 30th June 2024. Since then, the County Executive has made significant progress in resolving and implementing the well-advised recommendations of the committee.

Committee Observation

The Committee noted that the County Executive had not fully resolved eleven (11) prior-year audit issues. This persistent non-compliance is contrary to Section 53 of the Public Audit Act, 2015, which requires an accounting officer to take action on the Auditor-General's recommendations and submit a report within ninety days. This failure undermines the value of the audit process and the principle of accountability.

Committee Recommendation

The Committee recommends that;

The County Executive must fully comply with Section 53 of the Public Audit Act, 2015, by taking concrete steps to resolve all outstanding prior-year audit issues and submitting a comprehensive progress report to the Auditor-General within ninety (90) days.

The Auditor-General to specifically report on the status of these unresolved prior-year issues in the subsequent financial year's audit report to ensure continuous oversight

AS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1.0 Non-Compliance with Data Protection Requirements

Audit review established that the County Executive had not registered with the Office of the Data Protection Commissioner (ODPC) as a data controller and data processor, despite actively collecting, processing and storing personal data of staff, members of the county executive and service providers during the year under review. This omission is contrary to Section 18(1) of the Data Protection Act, 2019 which obligates all data controllers and processors to register with the ODPC before handling personal data.

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

Management Response

During the year under review, the County was in the process of aligning its operations with the Data Protection Act, 2019. While personal data was collected and processed for administrative purposes, steps have since been initiated to ensure full compliance, including formal registration with ODPC as both a data controller and processor. The County is committed to safeguarding personal data and has prioritized the development of internal data protection policies, staff sensitization, and system audits to uphold statutory obligations going forward.

Corrective Action Taken / To Be Taken:

Immediate Registration: The County Executive has initiated the registration process with the Office of the Data Protection Commissioner expected to take a duration of two months.

Compliance Strengthening Measures: The County is in the process of establishing an internal Data Protection Compliance Committee to oversee the compliance.

The County has initiated Staff sensitization and capacity-building programs to be rolled out in collaboration with legal and ICT departments to ensure compliance with data protection laws.

Policy and Framework Development: The County is in the process of developing a Data Protection Policy aligned with the Act and regulations to guide data processing activities. A Data Protection Officer (DPO) is being designated in accordance with Section 24 of the Act to ensure continued compliance.

Engagement with ODPC: The County Executive is engaging directly with ODPC to seek guidance and ensure that all future obligations, including registration renewal and impact assessments, are met.

Committee Observations

The Committee observed that the County Executive, by failing to register as a data controller and processor, contravened Section 18(1) of the Data Protection Act, 2019. This omission exposes the county to legal risks and undermines the right to privacy enshrined in Article 31 of the Constitution.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive immediately register with the Office of the Data Protection Commissioner as a data controller and data processor in compliance with Section 18(1) of the Data Protection Act, 2019, and provide evidence of such registration to the Auditor General within 90 days of the adoption of this report.**
- 2) The County Executive develop and implement a comprehensive data protection policy to ensure ongoing compliance with the Data Protection Act, 2019, including regular audits of data handling practices, and submit a progress report on the same to the Auditor General within 90 days of the adoption of this report.**

2.0 Failure to Construct Official Residences of the Governor and Deputy Governor

Audit review established that the County Executive of Laikipia had neither constructed nor made any budgetary provision for the construction of an official residence for the Governor and Deputy Governor. This was contrary to the Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/TS/COG/6/61/48 VOL.II (64) dated 20 May, 2019, which provides guidelines on housing benefits for Governors, Deputy Governors, and County Assembly Speakers, and requires that official residences be commissioned by 30 June 2022. In the absence of an official residence, the Governor and Deputy Governor continued to draw monthly house allowance of Kshs.300,000, amounting to Kshs.3,600,000 annually, which was irregular and contrary to the SRC guidelines.

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

Management Response

PERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The County Executive carefully considered the requirements of the Circular alongside prevailing fiscal constraints and competing priorities in service delivery. During the review period, available resources were directed towards pressing statutory obligations and essential public service programs. These included relocation of the County Headquarters from Nanyuki to Rumuruti as well as investing in flagship county projects such as county Aggregated Industrial Park (CAIP) and expansion of outpatient units at Nanyuki & Nyahururu Referral Hospitals. Committing substantial funds to the construction of the Governor's residence at that time would have compromised the County's ability to sustain critical operations and meet immediate service delivery needs.

In the interim, it was deemed more prudent to continue providing a housing allowance to the Governor. This ensured continuity of leadership support without diverting limited resources from pressing public service commitments.

Committee Observations

The Committee noted that the County Executive's continued payment of house allowance to the Governor and Deputy Governor, in the absence of official residences, contradicts the Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/TS/COG/6/61/48 VOL.II (64). While fiscal constraints are acknowledged, the cumulative expenditure on allowances (Kshs. 3.6 million annually) without the creation of a county asset is not a prudent use of public resources as required by Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive to comply with the SRC Circular by prioritizing budgetary allocation and construction of official residences for the Governor and Deputy Governor in subsequent financial years.**
- 2) The Salaries and Remuneration Commission (SRC) to reconsider and review the 20 May 2019 circular taking into account the current market construction costs, economic conditions and the principles of devolution.**

3.0 Irregularities in Procurements Processes

The statement of financial performance and Note 8 to the financial statements reflect use of goods and services expenses amount of Kshs.1,377,312,429. Review of the expenditure revealed the following:

3.1 Supply and Delivery of Office Cabinet and Stationery

Included in the amount is payment of Kshs.1,456,000 made for the supply and delivery of a lockable office cabinet and other stationery items under the Department of Administration. However, the awarded supplier was not registered under the appropriate procurement category, and the two competing bidders were not listed in the procuring entity's prequalified suppliers' list. This was contrary to Section 106(2)(a) of the Public Procurement and Asset Disposal Act 2015, which requires that requests for quotations be issued only to suppliers registered by the procuring entity.

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

Management Response

The awarded supplier was registered under the appropriate procurement category for the subject requirement namely, A26 Supply and Delivery of Office furniture, Fittings and Office Equipment. All the three bidders, including the awarded supplier, were not in the initial prequalified list. However, they were subsequently incorporated through the continuous registration of suppliers as provided under Section 57(ii) of the Public Procurement and Asset Disposal Act, 2015 (PPADA).

At the time of engagement, the suppliers had been identified and had met all mandatory criteria, notwithstanding that the internal process of updating the register had not yet been finalized. Their documentation - including PIN certificate, Tax compliance certificate, and CR12 - was duly verified prior to engagement.

Committee Observations

The Committee observed that the County Executive awarded a contract to a supplier not on the prequalified suppliers' list at the time of procurement. This action is contrary to Section 106(2)(a) of the Public Procurement and Asset Disposal Act, 2015, which requires quotations to be issued only to registered suppliers, undermining the principles of fairness and transparency.

Committee Recommendations

The Committee recommends that

- 1) The County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in**

RS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within 90 days from the adoption of this report;

- 2) The Kenya Institute of Supplies Management (KISM) takes action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.

3.2 Supply and Delivery of Motor Vehicle Training Equipment

An amount of Kshs. 1,159,449 was paid to a local supplier for the supply and delivery of motor vehicle training equipment for Nanyuki and Salama Vocational Training Centers, under the Department of Education. However, the counter-receipt voucher (S13) indicated that the goods were delivered and taken on charge on 22 June 2024, which was fifty-one (51) days after the expiry of the 30-day validity period for the purchase order issued on 2 April, 2024. This was contrary to Regulation 52(1) of the Public Finance Management (County Governments) Regulations, 2015, which limits the validity of an order to 30 days from the date of issue. In the circumstances, Management was in breach of the law.

Management Response

The delay in delivering the motor vehicle training equipment was occasioned by logistical challenges on the part of the supplier, particularly in sourcing and transporting specialized equipment to Nanyuki and Salama Vocational Training Centers. Despite the delay, the goods were delivered in good condition, inspected, and confirmed to meet the required specifications and quantities. Considering the urgency of the training programs and the impracticality of reinitiating the procurement process, management deemed it prudent to accept delivery to avoid service disruption and additional costs. While LPO validity was not formally revalidated, the transaction was undertaken in good faith to ensure continuity of operations.

Committee Observations

The Committee observed that the County Executive accepted goods delivered fifty-one (51) days after the expiry of the 30-day validity period of the Local Purchase Order (LPO). This contravenes Regulation 52(1) of the Public Finance Management (County Governments) Regulations, 2015, which limits the validity of an order to 30 days. This action disregards established financial regulations.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**
- 2) The Kenya Institute of Supplies Management (KISM) takes action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.**

4.0 Legal Expenses

Included in other operating expenses are legal expenses amounting to Kshs. 24,936,096, made to eight (8) private law firms for provision of legal services to the County Executive. However, the law firms were directly procured without written approval of the Accounting Officer and without documented proof of urgency, contrary to Section 91 of the Public Procurement and Asset Disposal Act, 2015, which establishes open tendering as the preferred method of procurement.

In addition, the Ad-hoc Evaluation Committee minutes to support the review or determination of the charges, records to confirm that the Head of the Procurement Department issued a professional opinion to guide the Accounting Officer on the award of the legal service tenders, evidence to show that the respective departments submitted requisitions for legal services and that the County Executive Committee approved the engagement of the legal firms for matters relating to the functions of the County Attorney were not provided for audit.

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

In the circumstances, value for money on the legal expenditure of Kshs.24,936,096 could not be confirmed.

Management Response

	PERS LAID
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

While the PPADA,2015 outlines the various methods of procurement, it would constitute both an illegality and professional misconduct for an advocate to purport to quote fees for legal services without first ascertaining knowledge of the nature, scope and value of the claim for which the legal services are sought.

The Advocates Act, the Advocates (Remuneration Order), the Advocates (Practice) Rules and the Advocates (Marketing and Advertising) Rules as interpreted in Thiong'o Njiri & 81 Others vs the Municipal Council of Kiambu & another (See Appendix 5.1) govern the manner in which legal fees are set and professional conduct of advocates.

Accordingly, in the procurement of legal services, the following exceptions apply:

- i) Advocates or law firms would not participate in any bidding process relating to public procurement for legal services especially where price competition is involved as doing so would contravene mandatory provisions governing remuneration of advocates
- ii) Advocates or law firms would not be selected on the basis of fees to be charged for the legal services sought because the charging of legal fees is strictly regulated under the Advocates Act and its subsidiary legislation.

The pre-qualification procedure or registration process to obtain a roster of law firms that can be engaged by a procuring entity is in itself sufficient and appropriate mechanism for the lawful procurement of legal services, thereby negating the need for a bidding process.

Further, PPADA, 2015 acknowledges the unique position involving the procurement of professional services. Section 5 (1) of the Act, in addressing situation where the PPADA,2015 conflicts with other Acts provides that;

“This Act shall prevail in case of any inconsistency between this Act and any other legislation or government notices or circulars, in matters relating to procurement and asset disposal except in cases where procurement of professional services is governed by an Act of Parliament applicable for such services.”

In summary, a prequalification procedure or registration process to produce a list of participating law firms is legally permissible and would be sufficient in itself. As demonstrated in Appendix 5.2, all the 8 firms were duly prequalified and instructions issued based on their respective area of expertise.

The Advocates Remuneration Order prescribes the minimum fees payable to advocates for both contentious and non-contentious matters, it further provides the framework for taxation of costs

as between advocate and client. Upon receipt of fee notes, the County Attorney is mandated to examine, assess, and issue an opinion recommending either payment or taxation in accordance with the law. The establishment or involvement of an Ad-hoc Evaluation Committee in reviewing advocates' fees would therefore amount to duplication of functions and a usurpation of the statutory role of the County Attorney.

In addressing the audit observations, it is essential to note that the County Government's response to urgent legal matters was driven by the imperative to safeguard public resources and prevent default judgments and adverse orders. Upon being served with writs and court summons, the County prioritized compliance with its constitutional obligations under Article 201 (prudent use of public funds) and Article 232 (principles of public service). Owing to the urgency, novelty and expertise required in the matters the county engaged external counsels as per the prequalified list of law firms, ensuring the protection of public interests and adherence to legal responsibilities.

Section 16(1) of the County Attorney Act of 2020 provides that: "A department or public entity established within a County Executive shall not engage the services of a consultant to render any legal services relating to the functions of the County Attorney without the approval of the County Executive Committee."

The grammatical construction and legislative purpose clearly place the restriction on "a department or public entity" and not on the Office of the County Attorney. The intent is to prevent individual departments from unilaterally procuring legal services and bypassing the County Attorney, which would undermine legal coherence and consistency in litigation strategy.

Therefore, Section 16(1) does not require the County Attorney to seek CEC approval each time external counsel is engaged. This reading is reinforced by Section 22(2) of the same Act, which states: "The County Attorney may procure the services of such other persons as may be reasonably necessary for the purposes of assisting the County Attorney in the performance of the functions of the County Attorney." See Appendix 5.3- Extract of County Attorney Act 2020 (Section 22 (2)).

This express statutory authority would be rendered redundant if every engagement required CEC approval. The engagement of external counsel was therefore lawful, properly authorized, and within statutory mandate.

Under the mandate of the Office of the County Attorney Act, 2020, the County Attorney is responsible for providing comprehensive legal services to the County Government, including court representation, legislative drafting, and advisory support to all departments.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

During the audit period, the legal officer managed approximately 70% of the new case briefs, there were instances where the complexity and urgency of certain matters necessitated the involvement of external advocates possessing specialized knowledge.

The Legal Officer and Legal Advisor operate within a lean team that carries significant and diverse responsibilities, making it impractical for them to oversee and handle all litigation matters (approximately over 400 files), especially those demanding immediate attention in various courts. Additionally, to prevent conflicts of interest and ensure impartial representation particularly in disputes involving internal County departments or senior officials' external advocates were engaged. This practice is consistent with the principles of fairness, transparency, and professional ethics be that as it may, we have attached evidence of some of the matters internally handled by the legal officers.

Committee Observations

The Committee observed that;

- 1) The County Executive incurred an expenditure of KSh 24.9 million on legal services provided by eight private law firms during the period under review. The procurement was undertaken through direct sourcing from a pre-qualified list.
- 2) There was no documented evidence of written approval by the Accounting Officer, requisitions from the respective departments, or approval by the County Executive Committee to support the engagement of these law firms.
- 3) Despite the County Executive having an in-house legal department comprising a County Attorney, a Legal Advisor, and additional legal officers (initially four, later increased to seven), no justification was provided during the audit for outsourcing these services.
- 4) Section 16 of the Office of the County Attorney Act, (Cap. 265E) applied to the office of the County Attorney as it is a "public entity established within a county executive". The County Attorney therefore required the approval of the County Executive Committee before engaging the law firms.

Committee Recommendations

The Committee recommends that the county attorney adheres to section 16 of the Office of the County Attorney Act, (Cap. 265E) before engaging any external legal service.

5. 0 Compensation of Employees

The statement of financial performance and Note 7 to the financial statements reflects employee costs of Kshs.3,284,492,295. Review of the expenditure revealed the following anomalies:

5.1 Lack of Ethnic Diversity on Staff Composition

The County Executive had a workforce of two thousand five hundred and fifty-one (2,551) staff, out of whom one thousand seven hundred and ninety-five (1,795), or 70% are from the dominant ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment shall have more than one-third of its staff from the same ethnic community.

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

Management Response

The County Public Service Board embarked on mainstreaming the ethnic composition in the recent recruitments to ensure that at not more 30% of its staff are not from the same ethnic community. it is notable to mention that as of December 2025 the ethnic diversity ratio was 66.91% down from July 2025 which was at 68.23% which arose from the recent recruitment.

Committee Observations

The committee observed that the County Executive had a total of 2,551 employees out of which 1,795 or 70% were from the dominant local community in the County. This is contrary to the provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the dominant one.

Committee Recommendations

The committee recommends that: -

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

5.2 Non-Compliance with Law on People Living with Disabilities

The County Executive had a workforce of two thousand five hundred and fifty-one (2,551) staff, out of whom forty-five (45), or 1.7% are people living with disabilities. This was contrary to Section 13 of the Persons with Disabilities Act, 2003 which states that the Council shall endeavor to secure the reservation of five (5%) percent of all casual emergency and contractual positions in employment in the public and private sectors for persons with disabilities.

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

Management Response

The Board has been actively working to engage persons living with disabilities (PLWD) through various measures, including the addition of disclaimers in job advertisements. The Board remains committed to affirmative action by prioritizing qualified PLWD applicants who meet the minimum requirements outlined in job advertisements.

However, two significant challenges have hindered these efforts:

- i) the majority of advertised positions receive no applications from PLWD, making it impossible for the Board to consider them for appointment.
- ii) some applicants fail to disclose their disability status during the application process. In certain cases, even when a disability is visibly apparent during interviews, applicants have not indicated their status in their application materials. This non-disclosure prevents the Board from applying affirmative action provisions that would otherwise benefit these candidates.

The County Public Service Board is progressively working to attain at least the 5% threshold of employees who are in the special need (PWD) category. The ratio of PWDs to total staff as at July 2025 was 2.06%, see analysis below;

TOTAL STAFF	PWD	% PWD
2575	53	2.06

Committee Observations

The Committee observed that;

- 1) The County Executive's workforce comprised 2,551 staff, of whom only 45 (1.7%) were persons with disabilities (PWDs), falling short of the 5% reservation stipulated under Section 13 of the Persons with Disabilities Act, 2003

- 2) The County administration attributed this non-compliance to inherited staffing from the previous administration and challenges in identifying PWD applicants during recruitment, noting that many do not disclose their status in applications despite provisions in online forms for such indication.
- 3) The Management reported an improvement to 53 PWDs (approximately 2%) through recent recruitments.

Committee Recommendation

The Committee recommends that the County Executive develop and implement a targeted affirmative action plan to attain the 5% employment reservation for Persons with Disabilities within the next fiscal year. The plan should include measures to promote voluntary disclosure during recruitment through awareness initiatives, clear non-discrimination assurances in application processes, and mandatory verification at the shortlisting stage.

5.3 Non-Compliance with the Law on Fiscal Responsibility on Wage Bill

The statement of financial performance and Note 7 to the financial statements reflect employee costs of Kshs.3,284,492,295, which represents 55% of the County total revenue of Kshs.5,973,584,517. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County Government expenditure on wages and benefits for public officers should not exceed 35% of the County Government's total revenue.

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

Management Response

The County Government inherited a significantly inflated wage bill from the former Local Authorities and the National Government, particularly through the devolved departments of Trade, Infrastructure, Agriculture, and Health. Notably, the Department of Medical Services and Public Health has consistently accounted for a substantial portion of the County's payroll—58% of the total wage bill as recorded in the IPPD system as of 30th June 2021.

It is important to highlight that the County's two Teaching and Referral Hospitals—Nanyuki and Nyahururu—serve populations from six neighboring counties in addition to Laikipia. Specifically, Nanyuki caters to two additional counties, while Nyahururu serves four, owing to

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

their strategic location and the quality of healthcare services offered. This regional demand contributes significantly to the elevated wage bill.

The computation of the proportion of the wage bill as compared to the Approved Revenue budget for the FY 2024/25 is as follows.

Approved total revenue budget FY 2024/25	Actual Expenditure 2024/25	FY Percentage
A	B	C= B/A
7,244,729,930	3,306,021,821	46%

The County Executive is progressively working towards reducing the proportion of the wage bill as compared to the Approved revenue so as to align with the fiscal responsibilities. Key among the measures is revenue mobilization particularly Own Source Revenue with the aim of surpassing annual targets as well as lobbying for additional grants and transfers.

Committee Observations

The Committee observed that the County's wage bill of Kshs. 3.28 billion constituted 55% of its total revenue, significantly exceeding the 35% statutory limit. This is a flagrant violation of Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, and indicates a failure to adhere to the fiscal responsibility principles of prudent financial management in Section 107(2)(c) of the PFM Act.

Committee recommendations

The Committee recommends that—

1. the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;
2. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue;
3. the County Executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap;

4. That pursuant to the High Court orders issued in *Matindi v Salaries and Remuneration Commission & another [2026] KEHC 755 (KLR)*, the Salaries and Remuneration Commission submits to the Committee a copy of the court ordered affidavit detailing the following—
- (i) time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio;
 - (ii) collaborative measures being jointly implemented in conjunction with the County Governments; and
 - (iii) advisories and/or directives issued to curb abuse in payment of allowances to State and public officers, percentages of reduction of wage to revenue ratio and savings being made per every year arising from the strategies and interventions it has put in place and implemented.
5. The Auditor General should continue monitoring the issue in subsequent financial years.

5.4 Non-Compliance with a Third of Basic Salary Rule

Review of the County Executive payroll revealed that twenty-six (26) employees earned net salaries of less than a third ($\frac{1}{3}$) of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007, which states that the total amount of deduction from Buthe wages of an employee shall not exceed two-thirds ($\frac{2}{3}$) of such wages.

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

Management Response

The violation of the one third rule is attributed to the introduction of statutory deductions namely Affordable Housing levy and NSSF in July 2023, SHA in October 2024 and regular and unforeseen deduction instructions under HELB. These being statutory deductions the County Executive embarked on adjustment of third-party deductions in order to accommodate these mandatory deductions in the Subsequent months.

The management has progressively reduced incidences of violation of one third rule. In the financial year 2023/24, there were 733 violation cases, whereas in the financial year 2024/25, there were 26 cases. In October 2025, twelve (12) cases were recorded. November 2025 there was 19 cases and zero (0) in December 2025.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observation

The Committee observed that 26 county employees earned net salaries less than one-third of their basic pay. This is a direct contravention of Section 19(3) of the Employment Act, 2007, which protects employees from excessive deductions, and points to weaknesses in the payroll management system.

Committee Recommendations

The Committee recommends that -

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

6.0 Project Implementation Status

During the year under review, the County Government implemented various development projects through various departments. A sample of thirty (30) projects, with total payments of Kshs.227,784,323, was selected for physical inspection. The audit inspection revealed that specific observations were raised for nine (9) projects, with an expenditure totaling Kshs.27,482,549, where satisfactory explanations or supporting documentation were not provided to address the anomalies identified. It was further noted that some projects had not been branded while others were complete but not in use.

In the circumstances, the regularity and value for money on the expenditure of Kshs.27,482,549 incurred on projects could not be confirmed.

Management Response

The below table provides the management comments on the status of project implementation for each of the projects reviewed by the auditors

	Details	Contract Amount (Kshs.)	Amount Paid (Kshs.)	Observations	Response
1	Construction of An ECDE Classroom at St Moses Primary School in Nanyuki Ward	2,992,000	2,191,564	Low quality 30-gauge iron sheets were used instead of the 28 gauge as per the BQ.	The gauge of the roofing sheets was not clearly printed on the sheets, we have taken sample to confirm the standard of the installed sheets against the expected standard (gauge 28). If the contractor is found to have deviated from the expected specifications; then the cost difference between the specified 28-gauge and installed 30- gauge sheets will be recovered from the contractor's retention amount. The contractor has been advised to fully comply with the approved material specifications in all future projects.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
WORK AT THE TABLE	

2	Construction of an ECDE Classroom at Temmakis Primary School in Thingithu Ward	2,249,040	1,917,854	Project completed on 28 November, 2024 but not in use.	The project was completed on 28 November 2024 but has not yet been put into use due to pending operational arrangements, including allocation of teaching staff and integration into the school timetable.
3	Grading, Gravelling and Drainage Works at Tronaj Thro Tamakis to Airforce Fence	4,899,997	4,716,994	Project complete but not branded and therefore not possible to verify whether the project actually	Sign boards were erected at the site to indicate that the road gravelling project was a county initiative. However, these sign boards were later vandalized, which limited visibility and verification of ownership. Given the nature of road works,
	in Thingithu Ward			Belonged to the county.	physical branding through color schemes is not practical or sustainable. Management has taken corrective measures to ensure that future projects are accompanied by durable sign boards and properly documented in
4	Grading And Gravelling of Kieni and Rwathia Road in Thingithu Ward	3,800,004	2,750,069		

5	Construction Of Seek Dispensary in Mukogondo West Ward	10,627,648	1,694,633		project files, thereby strengthening accountability, transparency, and ease of verification by auditors and the public.
6	Grading And Gravelling Works at Nathia Road in Segera Ward	4,716,994	3,588,087		Appendix 7.1 & 7.2 Sign boards for Gravelling and Seek Dispensary respectively.
7	Grading And Gravelling of Lenamaita to Tangi Nyeusi Primary School in Segera Ward	4,679,424	3,526,141		
8	Grading And Gravelling Works at Mwireri World Vision to Mck Mwireri and	3,080,004	2,608,935		
	Murega Road in Umande Ward				

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

9	Grading Gravelling and Drainage Works at Sweet Waters - Njoguini Road	4,488,272	4,488,272		
	Total		27,482,549		

Committee Observations

The Committee noted deficiencies in project management, including the use of sub-standard materials (30-gauge iron sheets instead of 28-gauge) at St. Moses Primary School, and a lack of project branding. These issues raise concerns about value for money, contrary to Section 12(2)(b) of the PFM Act, which mandates the efficient and effective use of budgetary resources.

Committee Recommendations

- 1) The County Executive establishes a robust project management and monitoring system to ensure proper planning, execution, timely completion, and value for money for all public projects, as required by the PFM Act and Regulations.
- 2) The County Governor prioritizes the completion of stalled projects and provides a status update on their completion and usability to the Auditor-General within ninety (90) days of the tabling of this report.
- 3) The Office of the Auditor-General should continue to monitor the implementation status of these projects in subsequent audits.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1.0 Lack of Key ICT Governance Structures and Policies

During the year under review, the County Executive did not have an IT strategic committee, an active IT steering committee and a formally approved IT security policy to ensure data confidentiality, integrity, and availability. The absence of these critical governance structures

and policies indicates a significant weakness in the County's ICT governance and risk management framework.

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

Management Response

The Directorate of ICT has prepared a draft proposal to establish an ICT Strategic and Steering Committee, which is to be submitted to the County Executive Committee Member (CECM) for Administration and ICT for review.

Once approved, the committee will serve as the central body for ICT governance within the County. Its mandate will include providing oversight on ICT matters, guiding strategic planning and implementation, ensuring compliance with national ICT standards, and coordinating ICT investments alongside risk management.

For some time, the County operated without a substantive ICT Director, which created gaps in institutional leadership and slowed the establishment of structured ICT systems. In August 2025, a substantive Director was recruited, helping to stabilize the department and strengthen institutional frameworks. This leadership has provided continuity and structure, ensuring that ICT initiatives are embedded within broader county systems rather than being ad hoc.

The County is also addressing the absence of a formally approved ICT Security Policy. Under the strengthened institutional systems, the ICT Directorate is developing a comprehensive policy aligned with the ICT Authority Standards, the Data Protection Act, 2019, and international best practices such as ISO/IEC 27001. The draft policy has already been circulated internally for review and feedback, and forwarded to the County Legal Department for validation.

The finalized ICT Security Policy will be submitted to the CEC for formal approval after which it will be issued as an official County Government policy. Implementation measures will include user awareness and training sessions, reforms to strengthen access controls, periodic security audits and risk assessments, and the establishment of a structured ICT incident response and reporting framework.

Committee Observation

The Committee observed that the absence of an IT strategic committee, steering committee, and a formally approved ICT security policy represents a significant weakness in the county's internal controls and risk management framework. This exposes the county to data breaches and

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

non-compliance, contrary to the requirements for effective internal controls under Section 73 of the PFM Act.

Committee Recommendation

The Committee recommends that the County Executive expedite the development and formal approval of an ICT Security Policy and establish the requisite ICT governance committees. The County Executive should submit to the Auditor General for verification within ninety (90) days of the adoption of this report.

2.0 Management of Fixed Assets

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

2.1 Lack of Land and Buildings Register

The County Executive did not maintain a register of land and buildings, recording each building and parcel of land and the terms on which they are held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other appropriate details.

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

Management Response

The County Executive has been maintaining all required assets registers in the required format as provided by the National Assets & liabilities management Guidelines of 2020. Some information however has not been available especially ownership documents as well as valuation of assets previously held by the defunct local authorities.

On a positive note, the County Executive has greatly benefitted from the support of the Intergovernmental Relations Technical Committee (IGRTC) in the identification, transfer of ownership documents as well as the valuation of identified assets.

The County Executive is progressively updating its assets registers to enhance compliance as well as maintain proper records to support accounting for Assets in line with the National

initiative of transition to Accrual Accounting currently being implemented by the County Treasury.

Committee Observations

The Committee noted that the county did not maintain an accurate fixed asset register; and didn't have a fixed asset register management policy.

Committee Recommendations

The Committee recommends that the; -

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

2.2 Grounded Motor Vehicles Not Assessed or Processed for Disposal

Seven (7) defective and unserviceable motor vehicles remained grounded in various County parking yards, with two (2) under the Department of Health, two (2) under the Department of Agriculture and one (1) each under the Department of Infrastructure, Department of Water and Environment, and Department of Administration. However, no justification or documentation was provided to explain why the vehicles had not been assessed, bonded and marked for disposal. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015, which requires the Accounting Officer to establish a Disposal Committee to oversee the disposal of unserviceable or obsolete public assets.

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

Management Response

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
AT THE TABLE	

The County Executive identified the idle, unserviceable and obsolete assets in the FY 2024/2025 and were eventually disposed of as per the recommendations of the disposal committee and in accordance with the Public Procurement and Asset Disposal Act, 2015 and regulations 2020. Some motor vehicles have since been serviced and put back into operation while others did not attract any successful bidder.

Committee Observation

The Committee noted that seven (7) grounded vehicles were not processed for disposal, contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015, which requires the Accounting Officer to establish a Disposal Committee to oversee the disposal of unserviceable assets. This failure results in the deterioration of public assets and loss of potential revenue.

Committee Recommendations

The Committee recommends that the County Executive fast-track the disposal of all identified unserviceable, obsolete, and grounded assets in accordance with the Public Procurement and Asset Disposal Act, 2015, and provide a comprehensive report on the process and proceeds of disposal to the Auditor-General.

3.0 Lack of Asset Ownership Documents

Land and buildings valued at Kshs.32, 166, 169,389 and Kshs.3,131,932,217 respectively, were recorded in the financial statements. However, Management did not provide ownership documents such as title deeds, allotment letters, or lease agreements to support these balances. In the absence of this documentation, legal ownership and custodianship of the assets could not be ascertained.

In the circumstances, the ownership of the fixed assets could not be confirmed.

Management Response

The County executive in collaboration with IGRTC and the Ministry of lands in the FY 2023/2024 identified all the land and buildings from the devolved ministries, the defunct Laikipia County Council, the Nyahururu and Nanyuki municipal Councils and the Rumuruti town Council. The management prioritized the identification, verification and valuation of Land, Buildings and vehicles (considered to be phase 1) and is expected to proceed to the other classes of assets (phase 2). The 1st stage of phase 1 involved the identification, verification and

valuation of the assets while stage 2 will involve the registration and transfer of ownership documents. The 1st stage was successful in the identification and valuation of the Land & Buildings classes of Assets.

The 2nd stage is currently ongoing and is expected to be concluded by the end of FY 2025/26. Identification, verification, valuation and registration of other classes of Assets (phase 2) is also expected to begin and is currently under preparation stage in consultation with the IGRTC.

Committee Observation

The committee noted that the management failed to provide the documents to support the ownership of the county government assets contrary to section 62 of the Public Audit Act.

Committee Recommendation

The County Governor undertakes administrative action(s) against the officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act 2012 and provide a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.

4.0 Incomplete Asset Register

The asset register maintained was incomplete and was not prepared in accordance with the format prescribed by IPSAS 17 and Appendix 6 of The National Treasury Circular NALM 2/2/(B) dated 14 October, 2020. The register did not meet the minimum required details, including identification or serial number, acquisition date, description of the asset, location, class, cost of acquisition, accumulated depreciation and net book value. As a result, the asset register did not meet the minimum disclosure standards, undermining the reliability of the asset information presented in the financial statements.

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

Management Response

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The County Executive has been preparing and maintaining its assets registers in accordance with the format prescribed by Appendix 6 of The National Treasury Circular NALM 2/2/(B) dated 14 October, 2020.

The County Executive has been working around updating its registers with a view of filling gaps especially those relating to ownership documents, valuation and verification status. The management is committed to the expeditious updating of the asset registers especially due to its critical role in the Accrual Basis of Accounting whereby Assets have to be recognized in the Statement of Financial Position.

The County Treasury has also trained and sensitized officers dealing with assets management, financial reporting, recording stores and inventories and also put in place procedures for acquisition and recording of all assets to ensure accuracy and completeness of the asset data disclosed in the Asset registers.

Committee Observation

The Committee observed that the County did not maintain an accurate fixed asset register and lacked a fixed asset register management policy.

Committee Recommendations

The Committee recommends that the-

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

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

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue target and actual amounts on comparable basis of Kshs.1,475,000,000 and Kshs.1,239,504,563 respectively, resulting in a revenue shortfall of Kshs.235,495,437, or 16% of the approved budget.

The shortfall of revenue affected planned activities and may have negatively impacted service delivery to the public.

Management Response

In the Financial Year 2024/2025, the Laikipia County Revenue Board had set an OSR target of Kshs. 1,475,000,000 and achieved Kshs1,239,504,563 that resulted in a 16% shortfall which is attributed to among other reasons,

- i. Adverse weather conditions affected the realization of market fees due to low produce, market inaccessibility and produce prices.
- ii. Low sand cess revenue due to inaccessibility/ poor condition of the Nanyuki-Doldol road resulting in transporters opting for sand from Isiolo and the alternative of crusher dust.
- iii. An unforeseen decline in the construction industry due to rising costs of construction materials lead to a significant decline on expected revenues from building approval fees.
- iv. The expected implementation of a County Court to litigate and enforce County legislations is yet to be fully functional thereby affecting realization of this revenue stream.
- v. A depressed economy resulted in low compliance and delays in payment of single business permits and related fees including public health as well as weights and measures. In addition, there were higher business closures as compared with new businesses during the year.
- vi. A decline in the number of visitors, both local and foreign as anticipated, adversely affected the revenue collected at Thompson Falls in the year as a result of depressed economic activity. However, expected

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

improvements and upgrading of the amenities within this facility is expected to significantly improve on the performance of this revenue stream.

To boost revenue generation, the management has implemented the following OSR enhancement measures,

- (i) Prosecution of defaulters through the joint effort of the ODPP, County Administration and The County Revenue Board has significantly brought down the outstanding receivables from SBPs and liquor licences.
- (ii) New and improved performance-based contracts for collectors which are expected to improve morale and productivity as well as continued implementation of individual collector's targets program
- (iii) Expected Staff and board training and capacity building.
- (iv) Frequent round table meetings with all departments on their revenue generation strategies.
- (v) Implementation of approved Valuation roll 2021-2031 will increase property taxes.
- (vi) Implementation of proposed amendments in the Finance Act 2025/26.

In addition, the County Government has since reviewed its F/Y 2025/2026 revenue target downward to **Kshs.1.351 billion**, reflecting a more realistic projection based on current economic conditions, enforcement capacity, and collection trends.

Committee Observation

1. The Committee observed that the Laikipia County Receiver of Revenue recorded a revenue shortfall of Kshs. 235,495,437, representing 16% of its approved target of Kshs. 1,475,000,000. This significant under-collection directly contravenes the fiscal responsibility principles enshrined in Article 201 of the Constitution, which demands that public finances be managed prudently and responsibly.
2. While management attributed the shortfall to exogenous factors like adverse weather and economic downturn, the Committee notes that this persistent inability to meet revenue targets creates a fiscal risk and jeopardizes the execution of county development plans as required by Section 126 of the PFM Act, 2012.
3. The Committee further observes that the National Treasury's delayed exchequer releases, contrary to the cash disbursement schedule approved by the Senate, severely constrained the

County Government's cash flow, hindering project implementation and service delivery, which is a breach of the cooperative governance principle in Article 6(2) of the Constitution.

Committee Recommendations

- 4. The National Treasury must strictly comply with Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012, by ensuring the transfer of funds to county governments is done without undue delay and in strict adherence to the approved quarterly disbursement schedule. The National Treasury must be summoned to explain any future deviations from this schedule to the Senate.**
- 5. The County Executive Committee Member for Finance, in line with their responsibilities under Section 104 of the PFM Act, 2012, must submit a comprehensive Revenue Enhancement Plan to the Senate and the County Assembly within 90 days. This plan should address the structural weaknesses identified (e.g., over-reliance on volatile revenue streams, infrastructure affecting cess collection) and propose legislative or administrative remedies to build a more resilient and diversified revenue base, ensuring alignment with the fiscal responsibility principles in Regulation 25 of the PFM (County Governments) Regulations, 2015.**

Other Matter

2.0 Unresolved Prior Year's Matters

In the prior year audit report, Issues on Unsupported Arrears of Revenue, Own Source Revenue and Operating Manual Systems in Sub-County Hospitals were raised. However, the issues remain unresolved.

Management Response

The management is always committed to resolve prior years issues and ensure that they are non-recurrent. It's the management opinion that the issues raised have been addressed. The following is a tabulation on how the management has dealt with the issues.

S/No	Audit Observation	Management Comments	Status of Resolution
1	Unsupported Arrears of Revenue	During the period under audit, the Revenue	Resolved

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

		Collection System was under development and could not generate a comprehensive arrears register. The issue has since been resolved following full system implementation. Revenue arrears amounting to Kshs. 340,418,413 are now properly supported and reported in the Statement of Arrears of Revenue as at 30 June 2024 . The current arrears register for FY 2024/2025 has been generated from the system and attached for audit verification.	
2	Inaccuracy of Own Source Revenue The figure reported as disbursed from the county receiver of revenue annual financial statement differed by ksh. 1,753,500 from what was reported as received as own source revenue in the annual financial statement for county revenue fund in the FY 2023/2024.	A reconciliation was done illustrating the presumed variance of ks. 1,753,500 related to grant received through the receiver of revenue and subsequently swept to CRF. The figure was disclosed in a separate note in financial statement in essence the variance did not exist.	Resolved.

	Operating Manual Systems in Sub-County Hospitals	All the sub-county hospitals (Doldol, Rumuruti, Lamuria, Ndindika and Kimanjo) within Laikipia County have in the FY 2025/26 automated and implemented the Taifa care system	Resolved
--	--	--	----------

Committee Observation

1. The Committee notes the management's response detailing the resolution of prior-year audit issues, including the generation of a supported arrears register from the new revenue system (Kshs. 340,418,413 as at 30 June 2024) and the automation of sub-county hospitals.
2. The Committee acknowledges the confirmation from the Office of the Auditor-General that these matters have been addressed. This resolution fulfills the accountability obligations of public officers under Article 232 of the Constitution and the reporting requirements for receivers of revenue under Section 82 of the PFM Act, 2012 and Regulation 68 of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the matter be marked as resolved. The County Executive Committee Member for finance is, however, reminded of their ongoing duty under Section 104(1)(a) of the PFM Act, 2012, to maintain robust financial management and control systems to ensure that previously resolved issues do not recur.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

3.0 Un-disbursed Collections to the County Revenue Fund

The statement of financial position and Note 30 to the revenue statements reflect a balance of Kshs.1,759,907 in respect to cash and cash equivalents. These were amounts collected in the bank, but not yet disbursed to the County Revenue Fund (CRF). This was contrary to Regulation 81 (2) of the Public Finance Management (County Governments) Regulations, 2015, which requires revenue collected to be paid into the CRF not later than five (5) days after receipt.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

Management Response

The County Government of Laikipia has clear instructions and established procedures to sweep all funds from the collection accounts into the County Revenue Fund (CRF) on a daily basis. Consequently, no funds remained unpaid to the CRF for more than five (5) days after receipt, and the requirement of Section 81(2) of the Public Finance Management (County Governments) Regulations, 2015 was fully complied with. In this case, reported balance of Kshs. 1,759,907 relates to collections received through M-Pesa and on the last day of the financial year and uncleared bank effects at year-end which was swept the following day.

Committee Observation

1. The Committee observes that the balance of Kshs. 1,759,907 in cash and cash equivalents not yet remitted to the County Revenue Fund (CRF) was a technical timing difference related to M-Pesa collections and uncleared effects on the last day of the financial year.
2. The Committee accepts management's explanation that these funds were swept into the CRF on the following working day. This practice, while compliant in this instance, must be strictly managed to avoid contravention of Regulation 81(2) of the PFM (County Governments) Regulations, 2015, which mandates that revenue collected be paid into the CRF within five (5) days after receipt.

Committee Recommendation

The Committee recommends that the matter be marked as resolved. However, the County Executive Committee Member for finance is directed to issue a circular to all receivers of revenue, emphasizing the statutory duty under Section 157 of the PFM Act, 2012 and Regulation 81 of the PFM (County Governments) Regulations, 2015, to ensure that all collections are banked and remitted to the CRF promptly, with no funds held in collection accounts beyond the stipulated period.

4.0 Use of Outdated Valuation Roll in Assessing Land Rates

The statement of revenue and disbursements and note 7 reflect land rates revenue of kshs.82,859,869. However, the County Government did not maintain a comprehensive and updated register of landowners and continued to assess land rates based on an outdated valuation roll prepared in 1995, which does not reflect current property market values. This was contrary to Section 30(1) of the National Rating Act, 2024, which requires every County Government to

undertake preparation of a valuation roll every five (5) years for all ratable properties within its jurisdiction.

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

Management Response

The County Government of Laikipia prepared a Comprehensive Valuation Roll (2021), which was duly approved by the County Assembly. The Valuation Roll covers all ratable properties within Laikipia County and reflects current property market values. The approved Valuation Roll has since been operationalized through the Finance Act, 2025 for purposes of assessing land rates.

In addition, the County Government of Laikipia has initiated the process of establishing a comprehensive and updated land register covering all ratable properties within the County to enhance accuracy of land ownership records and strengthen revenue administration.

Management remains committed to full compliance with the National Rating Act, 2024, including adherence to statutory timelines for the preparation, review, and implementation of valuation rolls.

Committee Observation

1. The Committee notes that for the financial year under review (2024/2025), the county continued to use a 1995 valuation roll to assess land rates, generating revenue of Kshs. 82,859,869. This practice was in direct contravention of Section 30(1) of the National Rating Act, 2024, which requires a review every five years, and undermined the constitutional principle of equitable taxation under Article 201(b)(i) of the Constitution.

2. The Committee, however, acknowledges management's confirmation that a Comprehensive Valuation Roll (2021) has now been prepared, approved by the County Assembly, and operationalized through the Finance Act, 2025.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
C. * AT THE TABLE	

Committee Recommendation

1. The County Executive Committee Member for Finance must ensure that for the Financial Year 2025/2026 and all subsequent years, land rates are assessed and billed exclusively on the basis of the approved 2021 Valuation Roll, in compliance with Section 30(1) of the National Rating Act, 2024.
2. The County Government, in line with Section 66 of the Constitution and to enhance revenue administration, should maintain a comprehensive and updated land register to ensure the accuracy and integrity of the Valuation Roll.

5.0 Long Outstanding Receivables from Exchange Transactions

The statement of financial position and Note 32 to the revenue statements reflect receivables from exchange transactions of Kshs.12,877,214, which includes an amount of Kshs.7,469,427 in respect to property rent, which has been outstanding for over one (1) year. However, Management did not provide evidence of debt recovery efforts or justify the absence of a provision for doubtful debts in respect of the long outstanding balances.

In the circumstances, the accuracy and recoverability of the property rent receivables of Kshs. 7,469,427 could not be confirmed.

Management Response

The outstanding property rent due for over one year relate to arrears for rental income from residential houses, market stalls and bus park stalls.

The Laikipia County Revenue Board manages its property rents as guided by the General

Provisions of the Finance Act 2025 which gives guidelines on house/stall allocation processes, automated rent collection and reconciliation, rent demand mechanism and eventual eviction processes for defaulters. See below listing of the procedural documents followed during the allocation, rent collection and enforcement of rent arrears in line with the four stages of these provisions.

In addition, the Management have instituted measures to strengthen debt recovery. In collaboration with the County Attorney. The management has instituted enforcement measures of initiating lawsuits for evicted tenants in situations where repossessed items after eviction are not sufficient to cover the arrears in question.

Committee Observation

1. The Committee observes that property rent receivables of Kshs. 7,469,427 have been outstanding for over one year. While management outlined the debt recovery framework under the Finance Act 2025, they failed to provide evidence of the effectiveness of these measures.
2. This inaction contravenes the accounting officer's duty under Regulation 63(1) of the PFM (County Governments) Regulations, 2015, to ensure adequate safeguards for the prompt collection of revenue. The failure to collect these dues and the lack of a provision for doubtful debts impairs the accuracy of the financial statements and represents a failure in prudent financial management as required by Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that:

1. **The Accounting Officer must, within 90 days, provide the Senate and the County Assembly with a detailed debt recovery report, including a schedule of defaulters, specific enforcement actions taken (e.g., demands, evictions, legal suits), and amounts recovered to date, as required by their responsibility for revenue management under Regulation 63 of the PFM (County Governments) Regulations, 2015.**
2. **The County Government should adopt a more aggressive enforcement strategy, including invoking the provisions of the Finance Act for rent arrears and, where necessary, engaging the County Attorney to expedite legal proceedings.**
3. **The Auditor-General to specifically review and report on the recoverability of these arrears and the adequacy of the debt recovery measures in the subsequent audit.**

6.0 Long Outstanding Receivables from Non-Exchange Transactions

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
ERK AT THE TABLE	

The statement of financial position and Note 31 to the revenue statements reflect receivables from non-exchange transactions of Kshs.729,036,257, which includes an amount of Kshs.583,229,006 relating to land rates that have been outstanding for over one year. However, Management did not explain measures taken to enforce the collection of these arrears.

In the circumstances, the accuracy, completeness and recoverability of receivables amounting to Kshs.729,036,257 could not be confirmed

Management Response

Management acknowledges the outstanding land rates of Kshs. 583,229,006 which are categorized on ageing analysis format. The ageing analysis is the primary document that guides the required debt recovery actions by the Board which include the following,

- (i) The rate payers with current year unpaid rates and arrears less than one (1) year were sent reminder messages through the Revenue System bulk messaging platform for 5 days. **(See Appendix 5.1 sample bulk SMS messages.)**
- (ii) The rate payers with arrears of more than one year were sent demand notices clearly stipulating the legal framework that guides further action to be taken on non-payment. **(See Appendix 5.2 sample demand notes.)**
- (iii) Defaulters in (ii) above who do not respond were issued with subsequent reminder correspondences with strict timelines for settlement and clearly stipulating punitive further action upon nonpayment. **(See Appendix 5.3 sample follow up letters)**
- (iv) Non responsive rate payers under (ii) and (iii) were subjected to enhanced recovery measures including public listing of the defaulters **(See Appendix 5.4 Extract of published list of defaulters).** Other measures taken include instituting direct collection of income generated by the plot e.g. rental income from the rates payer's tenants **(See Appendix 5.5 demand to Rate payers on redirection of their income in lieu of rates arrears)** as provided for in Section 19 of the National Rating Act 2024.

In addition, management in a bid to fast-track debt recovery processes is instituting the following measures in reducing outstanding receivables.

- **Enforcement Measures:** Collaboration with the County Legal Department is underway to institute enforcement actions against

persistent defaulters, including penalties and legal proceedings where necessary.

- **Strengthening Controls:** A debt management framework is being developed to ensure timely monitoring, reporting, and escalation of arrears.
- **Future Strategy:** Management is exploring automation of billing and debt collection processes to enhance efficiency and accountability.

Committee Observation

1. The Committee is deeply concerned by the massive stock of land rates arrears totaling Kshs. 583,229,006 that have remained outstanding for over a year. This significant amount, a substantial portion of the county's potential revenue, has not been realized, severely constraining the county's fiscal capacity as envisioned under Article 175(b) of the Constitution.

2. While management provided a list of administrative measures (e.g., SMS reminders, demand notices), these have demonstrably failed to yield significant results. The lack of effective enforcement, including the full use of legal mechanisms provided for in the National Rating Act, 2024, constitutes a breach of the accounting officer's duty under Section 149 of the PFM Act, 2012, to ensure that resources are used in a way that is effective and economical, and that revenue due is collected.

Committee Recommendations

The Committee recommends that:

1. **The County Executive Committee Member for Finance, in collaboration with the County Attorney, must immediately invoke the enhanced recovery measures under Section 19 of the National Rating Act, 2024. This includes, but is not limited to, public listing of defaulters, distress proceedings, and the redirection of income (e.g., rent from tenants) belonging to the rate payers. A progress report on these legal actions must be submitted to the Senate and the County Assembly within 90 days.**
2. **The automation of billing and debt collection processes, as mentioned in the response, should be prioritized and timelines for its completion be communicated to the County Assembly.**
3. **The Auditor-General to conduct a special audit on the land rates receivables, focusing on the age analysis, the effectiveness of the enforcement measures, and the potential for write-offs, and report the findings in the subsequent audit cycle.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

7.0 Operating Manual Systems in Sub-County Hospitals

The statement of revenues and disbursements and Note 19 to the revenue statements reflect hospital fees balance of Kshs.695,623,384. Management has implemented a Hospital Management Information System (HMIS), FunSoft, at Nanyuki Teaching and Referral Hospital and Nyahururu Sub-County Hospital. However, Rumuruti Sub-County Hospital, Lamuria Sub-County Hospital (Laikipia East), Doldol Sub-County Hospital, and Kimanjo Sub-County Hospital operate using manual systems. The manual systems lack comprehensive audit trails for transactions and activities, increasing the risk of revenue loss and operational inefficiencies.

In the circumstances, the effectiveness of revenue management processes in the sub-county hospitals could not be confirmed.

Management Response

During the period under review, the County Government of Laikipia was assessing and identifying an appropriate hospital management system in line with the Facility Improvement Financing Act (FIFA), which provides for increased financial autonomy of health facilities.

Through the Department of Health, the County identified and adopted the Taifa Care System, which captures, processes, and reports all hospital revenue and related transactions while providing full audit trails and management reports.

The Taifa Care System has since been fully implemented in the following Sub-County Hospitals: Doldol Sub-County Hospital, Rumuruti Sub-County Hospital, Lamuria Sub-County Hospital, Ndindika Sub-County Hospital and Kimanjo Sub-County Hospital. The system now supports automated billing, receipting, revenue reporting, and audit trail functionality, thereby addressing the risks associated with manual systems.

These measures have significantly strengthened revenue management controls and improved operational efficiency within Sub-County Hospitals.

Committee Observations

1. The Committee notes that during the year under review, four sub-county

hospitals were operating on manual systems, which, as noted in the audit, lacked comprehensive audit trails, increasing the risk of revenue loss and operational inefficiencies. This practice was inconsistent with the need for effective internal controls and transparent financial management as mandated by Article 232 of the Constitution.

2. While management states that the Taifa Care System has since been implemented in these hospitals, the effectiveness of this new system in addressing the prior weaknesses has not yet been audited or verified.

Committee Recommendations.

The Committee recommends that:

- 1. The Auditor General to undertake a specific review of the Taifa Care System's implementation in the next audit cycle to confirm its operational effectiveness, assess its impact on revenue collection and internal controls, and verify the existence of comprehensive audit trails as required by Section 73 of the PFM Act, 2012, and international best practices.**
- 2. The Accounting Officer for the Department of Health must ensure that all hospital revenue is banked intact and accounted for promptly, in line with Regulation 63 of the PFM (County Governments) Regulations, 2015.**

Revenue System – Laikipia Pay System

Review of the Laikipia pay system revealed the following weaknesses

8.0 Inadequate Segregation of Duties

Changes to revenue rates within the system could be made by a single user without independent review or approval, indicating weak access and authorization controls.

Management Response

Currently, management has addressed the weakness by establishing a Standard Operating Procedure (SOP) to strengthen segregation of duties and controls over revenue rate changes. Revenue rate adjustments are undertaken annually following approval of amendments to the Finance Act. Under the SOP, proposed rate changes are initiated by the Ward Revenue Receiver using a standardized form, reviewed by the Monitoring Team and the ICT Unit for

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

accuracy and compliance with the approved Finance Act, and subsequently approved by the Chief Executive Officer. All approved documentation is retained for record-keeping and audit purposes.

Further, Management has automated the SOP within the system to ensure that initiation, review, approval, and supporting documentation are processed electronically. The system also generates audit reports for all reviewed and amended rates, thereby enhancing transparency, strengthening audit trails, and ensuring accountability.

Committee Observations

1. The Committee observes that the audit identified a critical weakness in the Laikipia Pay System, where changes to revenue rates could be made by a single user without independent review or approval. This lack of segregation of duties is a fundamental failure in internal control, exposing the county to the risk of unauthorized or erroneous changes to revenue rates, and directly contravenes the principles of financial probity and accountability in Chapter Six of the Constitution.
2. While management has proposed a Standard Operating Procedure (SOP) and an automated workflow to address this, the operationalization and effectiveness of these measures remain unverified.

Committee Recommendations

The Committee recommends that;

1. **The Auditor General to specifically audit and report on the new controls for revenue rate changes in the subsequent audit cycle. This review should confirm that the automated workflow for initiation, review, and approval is fully functional and that audit trails are being generated and maintained as described, in compliance with Regulation 110(2)(c) of the PFM (County Governments) Regulations, 2015.**
2. **The Chief Officer, ICT, must provide the Senate and the County Assembly with a system-generated report demonstrating the approval workflow for any rate changes implemented in the current financial year.**

9.0 Lack of Service Level Agreement

There no formal Service level Agreement (SLA) between the County Executive and the ICT service providers to define system performance standards, support, responsibilities, or escalation procedures.

Management Response

During the period under review, the Laikipia County Revenue Board was in the implementation phase of the Revenue Collection System. The system has since been fully handed over to the County Government of Laikipia and is currently operational on the on-premise server housed in the County server room.

Following the handover, the County is undertaking a post-handover review to confirm system stability, performance, support requirements, and responsibility delineation. Based on the outcome of this review, a comprehensive Service Level Agreement (SLA) will be developed to cover system availability, maintenance, support, security, and escalation procedures.

The County expects to have the SLA finalized and executed by the end of the third quarter of the current financial year.

Committee Observation

The Committee is concerned that the County Executive operated a critical revenue collection system without a formal Service Level Agreement (SLA). The absence of an SLA, as noted by the Auditor-General, creates significant operational and financial risks by failing to define system performance standards, support responsibilities, and escalation procedures. This lack of a formal agreement is inconsistent with the need for prudent and responsible financial management under Article 201(d) of the Constitution.

Committee Recommendations.

The Committee recommends that:

- 1. The County Executive Committee Member for Finance must, as a matter of urgency, finalize and execute a comprehensive Service Level Agreement (SLA) with the ICT service providers by the end of the third quarter of the current financial year, as committed by management. A copy of the executed SLA must be submitted to the Senate, the County Assembly and the Auditor-General.**
- 2. The Auditor-General to review the finalized SLA in the subsequent**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
AT THE TABLE	

audit to ensure it adequately covers system availability, maintenance, support, security, and performance benchmarks, in line with best practices for public financial management systems.

10.0 Lack of test Environment for data

The County Executive did not maintain a test environment for system updates or configuration changes, increasing the risk of system downtime, user disruption, and inaccurate reporting.

Management Response

The management has since implemented a dedicated test environment for the Revenue Collection System, effective December 2025. The test environment is now used to validate system updates, configuration changes, and enhancements before deployment to the production environment, thereby minimizing the risk of system downtime, user disruption, and data inaccuracies.

Committee Observations

1. The Committee acknowledges the audit finding that the lack of a test environment posed a significant risk to system stability and data integrity. It notes management's assertion that a dedicated test environment has been implemented since December 2025.
2. The existence of a separate test environment is a crucial control for ensuring that system updates and configuration changes do not disrupt live operations or corrupt financial data, aligning with the need for efficient and effective use of resources under Article 232(1)(b) of the Constitution.

Committee Recommendations

The Committee recommends that:

1. The Auditor-General to review and confirm the existence and operational effectiveness of the test environment in the subsequent audit cycle. This review should verify that all system changes are tested in this environment before being deployed to the live production environment, in line with Section 73 of the PFM Act, 2012, regarding the adequacy of internal control systems.
2. The Chief Officer, ICT, must present the documented policy and procedures for change management, which mandates the use of the test environment, to the County Assembly's relevant committee.

11.0 Duplicate Reference Numbers in Client Accounts

System review identified instances where the same reference numbers were assigned to different clients, with affected invoices totaling Kshs.617, 115, thus rendering the data on clients unreliable. This reflects weaknesses in data integrity and customer identification controls.

In the circumstances, the reliability and integrity of revenue data processed through the Laikipia Pay System could not be confirmed.

Management Response

The Revenue Collection System is designed to automatically generate unique invoice numbers for all invoices. The instances of duplicate reference numbers identified arose from conflicting National ID numbers provided by clients during registration, particularly within the land rates module.

The system associates each National ID number with the first set of client details captured during registration. Where a subsequent registration was attempted using an already existing ID number but with different client details, the system associated invoices with the originally registered client profile, resulting in apparent duplication of reference numbers across different clients

The intention of this design was to support a self-service client portal, allowing clients to view and pay all invoices (land rates, housing, single business permits, advertisements) associated with their National ID number.

The issue had since been fully resolved, and the following corrective actions have been undertaken:

- All affected client records were reviewed and cleaned to ensure invoices are correctly linked to the appropriate clients.
- System validation controls were enhanced to prevent sharing of invoice numbers across multiple client profiles.
- Cases where duplicate invoices were generated for the same client for the same financial year were corrected.
- The system has been configured to restrict invoice generation to one invoice per client per year, preventing recurrence.

Committee Observation

1. The Committee is concerned by the audit's discovery of duplicate reference numbers assigned to different clients, affecting invoices worth Kshs. 617,115.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
AT THE TABLE	

This systemic weakness renders client data unreliable and raises serious doubts about the integrity of revenue collection processes. It undermines the constitutional principle of transparency and accountability in public finance under Article 201(a) of the Constitution.

2. While management has explained the cause and proposed corrective actions, the accuracy and effectiveness of these data-cleaning exercises have not been independently verified.

Committee Recommendation

The Committee recommends that;

1. **The Auditor-General to conduct a specific review of client data integrity in the subsequent audit. This review should focus on confirming that all instances of duplicate reference numbers have been resolved, verifying that system validations now prevent such occurrences, and ensuring that the linkage between clients and their invoices is accurate, as required for reliable financial reporting under Section 164 of the PFM Act, 2012.**
2. **The Chief Officer, ICT, must within 60 days provide a detailed report to the Senate and the County Assembly on the data-cleaning process and the enhanced validation controls implemented in the revenue system to prevent a recurrence.**

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

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.7,341,559,611 and Kshs.6,570,516,368 respectively, resulting to a shortfall of Kshs.771,043,242, or 11% of the budget. Similarly, the Fund disbursed Kshs.6,568,221,762 against actual revenue of Kshs.6,570,516,368, resulting to an

under-disbursement of Kshs.2,294,606. The shortfall and under-disbursement may have impacted negatively on service delivery to the public.

Management Response

The under realisation of the revenue budget of Kshs 771,043,242 (11%) was largely due to under-disbursement of transfers from National Government agencies amounting to Kshs 452,864,302.

Under-realisation of the Own Source Revenue by 38% (Kshs 329,179,517) attributed to general economic hardships facing the county residents was the 2nd largest contributor to the under-realisation of the revenue budget.

Considering the budget was balanced (revenue & transfers budget were equal), the under-realisation of the revenue budget led to the under-utilization of the transfer budget. The County treasury However prioritized critical county operations for both the County executive as well as the County Assembly for the smooth running of the County Government.

The County Treasury is continuously and actively working towards collecting more Own Source revenue through the Laikipia County revenue Board.

Committee Observation

1. The Committee observes that the revenue shortfall of Kshs. 771,043,242 (11%) and the consequent under-disbursement of Kshs. 2,294,606 represent a failure to achieve the fiscal objectives set out in the County Fiscal Strategy Paper. This underperformance, attributed to delayed disbursements from the National Treasury and under-collection of Own Source Revenue (OSR), contravenes the fiscal responsibility principles enshrined in Article 201 of the Constitution, which demands openness, accountability, and prudent use of public money.
2. Furthermore, the delay in project implementation directly undermines the objects of devolved government under Article 174 of the Constitution, particularly the provision of proximate and easily accessible services and the promotion of social and economic development

Committee Recommendations

The Committee recommends that;

1. **The National Treasury must comply with Article 219 of the Constitution, which mandates the transfer of a county's share of revenue without undue delay. The**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

National Treasury is directed to adhere strictly to the cash disbursement schedules approved by the Senate, as required under Section 17(6) of the PFM Act, 2012, to ensure county governments receive their funds in a timely and predictable manner, facilitating proper budget implementation.

2. The County Executive, through the County Treasury, must urgently implement measures to enhance OSR collection as required by Section 104(1)(d) of the PFM Act, 2012, which mandates the County Treasury to mobilize resources for funding budgetary requirements. The County Treasury should ensure that the Laikipia County Revenue Board operates effectively, employing a standardized financial management system as per Regulation 4(d) of the PFM (County Governments) Regulations, 2015, to produce accurate revenue projections and ensure collections meet the annual targets.

2.0 Late Exchequer Releases

The statement of financial performance and Note 6 to the financial statements reflect Exchequer releases totaling Kshs.5,387,035,309. Included in this balance is an amount of Kshs.888,860,826, or 17% of the total disbursements received by the County Government Revenue Fund from The National Treasury in the second half of the month of June, 2025. The late Exchequer releases could have had adverse effect on the implementation of the planned activities and projects by Management for the year ended 30 June, 2025. This is contrary to Section 17(6) of the Public Finance Management

Management Response

Throughout the FY, the County Government experienced substantial delays in disbursement of monthly equitable share from National Treasury. Indeed, this hampered service delivery and occasioned delays in the processing of Exchequer transfers from CRF. It is our expectation that the National Treasury will effect timely disbursements in future to alleviate this situation.

Committee Observation

1. The Committee observes that the receipt of Kshs. 888,860,826 (17% of total disbursements) in the second half of June 2025 is a direct violation of Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012, which require equitable shares to be transferred without undue delay and in accordance with approved schedules.

2. This practice severely impairs the County Treasury's ability to manage cash flows effectively, contravening the guiding principles for cash management outlined in Regulation 83

of the PFM (County Governments) Regulations, 2015, and ultimately hinders the efficient and effective provision of services to the public as envisaged in Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that:

- 1. The National Treasury must be compelled to comply with Section 17(7) of the PFM Act, 2012, which requires it to disburse funds monthly in accordance with a schedule prepared in consultation with the Intergovernmental Budget and Economic Council (IBEC) and approved by the Senate. Failure to adhere to this schedule constitutes a breach of the law and undermines the financial stability of county governments.**
- 2. The Controller of Budget to continue highlighting these late disbursements in their quarterly reports to Parliament, as mandated by Article 228(6) of the Constitution, and to explicitly flag them as a risk to budget implementation and service delivery.**
- 3. The County Treasury should, as a risk mitigation strategy, strengthen its own revenue base in line with Section 107(2)(d) of the PFM Act, 2012, to ensure that core services can be maintained even when national government disbursements are delayed, thereby upholding the principle of prudent fiscal risk management.**

Other Matter

3.0 Unresolved Prior Year Audit Matters

In the audit report of the previous year, the issues of inaccuracies of own source revenue and late exchequer releases were raised. However, the matters remain unresolved.

Management Response

The management is always committed to resolve prior year issues and ensure their non-recurrence. Below is an analysis of status of resolution on the individual issues raised.

S/No	Audit Observation	Management Comments	Status of Resolution

1	Inaccuracies of own source revenue- The figures reported as disbursed from the County Receiver of Revenue annual financial statements differed by Kshs	A reconciliation was done illustrating that the presumed variance of Kshs 1,753,500 related to a grant received through the Receiver of revenue and subsequently swept to the CRF. The figure	Resolved
---	--	---	----------

DATE		TABLED BY		COMMITTEE		GLED	

	1,753,500 from what was reported as received as Own Source Revenue in the Annual Financial Statements for County Revenue Fund in the FY 2023/24	was disclosed in a separate Note of the financial statements. In essence the variance did not exist.	
2	late exchequer releases- the matter related to an amount of Kshs 937,693,143 received into the CRF in the 2 nd half of June 2024.	The matter still persists	Unresolved

Committee Observation

The Committee notes the confirmation from the Office of the Auditor-General that the matter of "Inaccuracies of own source revenue" from FY 2023/24 has been resolved, following a reconciliation that clarified the variance of Kshs. 1,753,500. This resolution demonstrates the importance of proper reconciliation processes as required by Regulation 90 of the PFM (County Governments) Regulations, 2015. However, the Committee is deeply concerned that the issue of "Late Exchequer Releases," which was also raised in the prior year, remains a recurring and unresolved systemic problem.

Committee Recommendations

The Committee Recommends that—

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

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

The Governor of Machakos County Executive Hon. Wavinya Ndeti , EGH , appeared before the Committee on Friday, **13th March , 2026** to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Machakos County for the Financial Year 2024/2025.

Qualified Opinion

Basis for Qualified Opinion

1.0 Un-Disclosed Fixed Assets

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The statement of financial position reflects opening statement balance of Kshs.8,990,000 in respect to property, plant and equipment as disclosed in Note 26 to the financial statements. However, the balance represents assets acquired and paid for during the year 2024 but excludes assets acquired on credit.

In the circumstances, the accuracy of property, plant and equipment opening statement balance of Kshs.8,990,000 could not be confirmed.

Management Response

The accrual mode of reporting came into effect from 1st July 2024 (Fy.2024/2025).The amount of Ksh.8,990,000 in the opening statement for Fy.2024/2025 is the actual amount that was reported as acquired fixed assets and which was reported in cash basis in Fy.2023/2024.Therefore, the management excluded fixed assets acquired on credit because financial statements for Fy.2023/2024 were prepared based on Cash basis mode of financial reporting, a requirement by Public Sector Accounting and Standard Board (PSASB) during that reporting period.

Committee Observation

The Committee observed that the County Executive's financial statements for FY 2024/2025 omitted fixed assets acquired on credit, reporting only cash-based acquisitions. This treatment contravenes the transition guidelines to accrual accounting as outlined in **National Treasury Circular No. 03/2025**. Furthermore, it fails to present a true and fair view of the county's assets, which is a fundamental requirement for financial reporting under **Section 81(3) of the PFM Act**. The response indicates a misunderstanding of the transitional provisions, which require full disclosure of all assets acquired during the year, irrespective of the payment method.

Committee Recommendation

1. The County Executive is directed to rectify the financial statements for FY 2024/2025 by recognizing all property, plant, and equipment acquired during the year, including those on credit. This shall be done through a prior-year adjustment in the subsequent financial year's

statements, in strict compliance with Section 81(3) of the PFM Act, and the accrual accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB).

2. The Accounting Officer must ensure that future financial statements fully comply with the phased transition to accrual accounting as per the National Treasury guidelines, moving away from the cash basis of reporting for assets.
3. The Office of the Auditor-General is requested to verify the implementation of this prior-year adjustment and the county's adherence to the Assets and Liabilities Management Policy in the next audit cycle, as provided for under Section 29 of the PFM Act.

2.0 Unsupported Accumulated Surplus

The statement of changes in net assets reflects a Negative balance of Kshs.4,058,810,631 in respect to accumulated surplus after adjusting for retention of Kshs.185,714,920, opening accounts payable – salaries of Kshs.529,911,032, payments for prior year budgets of Kshs.762,336,337, accounts trade payable of Kshs.2,809,360,187 and for increase in accounts payables of Kshs.1,207,474,034. However, the supporting schedules were not provided for audit review.

In the circumstances, the accuracy of negative accumulated surplus balance of Kshs.4,058,810,631 in the statement of changes in net assets could not be confirmed.

Management Response

The management did various adjustments to the payment schedules for the financial statements relating to FY.2024/2025, during the audit period. The original schedules supporting the above figures had been submitted at the commencement of the audit exercise. The payment schedules were adjusted for accuracy purposes.

Committee Observation

The Committee noted that the negative accumulated surplus balance of Kshs. 4,058,810,631 could not be verified due to the lack of supporting schedules and ledgers. This failure to provide adequate documentation undermines the transparency and accountability required by Article 201 of the Constitution. It directly contravenes Section 81(3) of the PFM Act which mandates that the Accounting Officer prepare financial statements in a form that complies with relevant accounting standards, supported by proper records.

Committee Recommendation

1. The Accounting Officer must maintain a complete and accurate set of books of accounts, including detailed ledgers for all accounts, as required by Regulation 100 of the PFM (County Governments) Regulations, 2015. These records must be readily available to support all figures in the financial statements during audit reviews.
2. Management is directed to provide the Auditor-General with a comprehensive schedule and analysis of the adjustments made to arrive at the accumulated surplus figure, explaining the transition from cash to accrual basis and its impact on pending bills.

3.0 Unsupported Intangible Assets

The statement of financial position and as disclosed in Note 27 of the financial statements reflect intangible assets and goodwill balance of Kshs.93,279,600. However, the balance was not supported by a list of software systems operated by the County Executive with their corresponding costs.

In the circumstances, the accuracy of Intangible assets and goodwill balance of Kshs.93,279,600 could not be confirmed.

Management Response

The disclosed amount of ksh.93,279,600 in note 27 to the financial statements is an amortized balance arrived at, after amortizing the Health Management Information System (HMIS) and Audit Management Software system (AMSS) procured at a cost of ksh.124,793,791 and ksh.14,429,492 respectively. The management depreciated the software at a rate of 33.3%.

Committee Observation

The Committee observed that the valuation of intangible assets, particularly the amortization of software systems, was not supported by a comprehensive asset register. While management provided details for two specific systems, the lack of a complete list of all software systems operated by the county and their corresponding costs contravenes Regulation 136 of the PFM (County Governments) Regulations, 2015, which requires the Accounting Officer to maintain a register of all assets under their control.

Committee Recommendation

1. **Management must develop and maintain a comprehensive and up-to-date register for all intangible assets, including software licenses, development costs, and goodwill, as mandated by Regulation 136 of the PFM (County Governments) Regulations, 2015.**
2. **This register should detail the description, date of acquisition, cost, amortization rate, and net book value of each intangible asset. A copy of this register must be submitted to the Auditor-General within 60 days to facilitate verification.**

Emphasis of Matter

4.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,622,164,354 and Kshs.13,340,945,013 respectively resulting in underfunding of Kshs.2,281,219,341 or 15% of the approved budget. Similarly, the statement reflects actual expenditure against actual revenue of Kshs.10,617,940,332 and Kshs.13,340,945,013 respectively resulting in under-absorption of Kshs.2,723,004,681 or 20% of the actual receipts.

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

Management Response

The under-funding of Kshs.2,654,795,912(15%) between our final approved budget - Kshs.15,622,164,354 and the actual receipts of Kshs.12,967,368,422 was occasioned by the following three factors;

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

ANALYSIS BETWEEN REVENUE BUDGET AND ACTUAL RECEIPTS FOR FY.2023/2024

Revenue Source	Final budget	Actual Receipts	Variance (under-funding)	Reasons
Opening-balance (special-purpose accounts)	783,851,812	783,851,812	0	
Transfers from CRF	9,597,223,940	9,597,223,940	0	
Own Source Revenue (OSR)	3,925,793,065	2,181,835,314	1,743,957,751	The county realized Kes .2,181,835,314 resulting to a deficit of Kes.1,743,957,751
Conditional and Unconditional Grants	1,302,372,190	404,457,376	897,914,814	The county received kes.404,457,376 from the national Government.
Equalization Fund	12,923,347	0	12,923,347	Zero amount was received in Fy.2024/2025
Total	<u>15,622,164,354</u>	<u>12,967,368,422</u>	<u>2,654,795,912</u>	

Further, the under-absorption of Kshs.2,723,004,681 or 20% of the actual receipts at the end of Fy.2024/2025 was occasioned by delay in exchequer releases and other conditional grants. Therefore,any continuous trend in delay of exchequer releases affected adversely our absorption rate.

Attached, find a detailed analysis of our exchequer issues (Transfers to CRF) and the under-funded Conditional and Un-conditional Grants for review.

The Statement of Comparison of Budget and Actual Amounts discloses a final approved budget (receipts) of **Kshs. 15,622,164,354** against actual receipts of **Kshs. 13,340,945,013**, resulting in an underfunding variance of **Kshs. 2,281,219,341** (approximately **15%** of the approved budget). This underfunding severely constrained the county's capacity to implement planned programmes.

Furthermore, actual expenditure stood at **Kshs. 10,617,940,332** against actual receipts of **Kshs. 13,340,945,013**, leading to an under-absorption of **Kshs. 2,723,004,681** (equivalent to **20%** of realized receipts). Such low absorption rates indicate inefficiencies in expenditure execution, even when funds were available.

Committee Observation

1. The Committee observed a significant underfunding of Kshs. 2.28 billion (15%) against the approved budget, which severely constrained the county's capacity to implement planned programmes, impacting service delivery.
2. The Committee further noted an under-absorption of Kshs. 2.72 billion (20%) of actual receipts, indicating inefficiencies in budget execution and a failure to adhere to fiscal responsibility principles. This undermines the objects of devolution as set out in Article 174 of the Constitution.
3. The substantial shortfall in Own Source Revenue (OSR), particularly in cess (KSh 118M vs. 352M target) and land rates (KSh 181M vs. 304M target), points to systemic weaknesses in revenue administration, potentially exacerbated by the transition to the new Machapay revenue system.

Committee Recommendation

1. **The Auditor-General to conduct a special audit on the Machapay revenue system to evaluate its effectiveness, security, and impact on revenue collection. The report should identify any systemic vulnerabilities or weaknesses and be submitted to the Senate within 90 days.**
2. **The County Revenue Chief Officer must submit a detailed report within 60 days, explaining the performance variances in key revenue streams. The report must outline specific, time-bound corrective measures to address revenue leakages and improve collection, in line with Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015 which requires sustainable revenue bases.**
3. **The County Executive must prepare a comprehensive revenue enhancement plan to diversify its revenue base and meet its targets, reducing over-reliance on national government transfers as per the fiscal responsibility principles in Section 107 of the PFM Act.**

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

PAPERS LAID

5.0 Refundable Deposits and Prepayments

The statement of financial position and as disclosed in Note 33 to the financial statements reflect refundable deposits and prepayments of Kshs.176,662,065. However, revieww of the deposits register, cashbook, and bank statements revealed long outstanding refundable deposits and prepayments totalling Kshs.74,557,957 dating back to March, 2015 which had not been claimed.

In the circumstances, the refund ability of the deposits and pre-payments totalling Kshs.74,557,957 could not be confirmed.

Management Response

The management has noted the audit observation and it will develop a deposit/ retention management policy, which will guide on management of Deposit/Retention monies. The policy will outline thorough investigation of all long outstanding refundable deposits and appropriate action which can be taken by the entity such as refund, reclassification, or write-back in accordance with IPSAS requirements. The county government pays promptly any claimed deposit/retention upon submission of non-defect reports after the stipulated period. Attached, find a summary schedule of the long outstanding refundable deposits and prepayments totaling Kshs.74,557,957 for review.

Committee Observation

The Committee noted that long-outstanding refundable deposits and prepayments totaling Kshs. 74,557,957, some dating back to 2015, remain unclaimed and unverified. This persistent

accumulation points to significant weaknesses in internal controls, reconciliation procedures, and financial record-keeping, contrary to the principles of prudent public financial management enshrined in Article 201 of the Constitution and Regulation 106 of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

1. **The County Governor to expedite the development and implementation of a Deposit/Retention Management Policy. This policy must be aligned with IPSAS requirements and provide clear guidelines for the investigation, reconciliation, and resolution of all outstanding deposits, including provisions for write-back where applicable.**
2. **The Accounting Officer must conduct a thorough review of all unclaimed deposits and, where claims are not forthcoming after a public notice, seek approval from the County Executive Committee Member for Finance to write them back to the County Revenue Fund in accordance with Regulation 106 and Section 150 of the PFM Act.**

Key Audit Matters

Other Matter

6.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during the audit of financial year 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Variances between Financial Statements and IFMIS Payment details
2	2023/2024	Other Grants and Transfers
3	2023/2024	Transfer to Other Government Units
4	2023/2024	Acquisition of Assets
5	2023/2024	Legal Expenses
6	2023/2024	Non-Compliance with Law on Ethnicity
7	2023/2024	Lack of Approved Staff Establishment
8	2023/2024	Non-Compliance with the Law on Fiscal Responsibility
9	2023/2024	Payment of Salaries Outside the Integrated Payroll
10	2023/2024	Recruitment of Staff
11	2023/2024	Lack of Audit Committee

Management Response

The Management addressed Nine (9) out of the eleven (11) issues. The **remaining issues** are human resources related and they include “**Non-Compliance with Law on Ethnicity**” and “**Non-Compliance with the Law on Fiscal Responsibility**” .Attached, find our action plan presented to the office of auditor general on implementation of prior year matters.

Committee Observation

The Committee observed that the County Executive has not fully implemented recommendations on eleven (11) prior-year audit matters. Resolution of only nine out of eleven issues, particularly leaving out human resource-related matters, constitutes non-compliance with Section 53 of the Public Audit Act, 2015, which requires the Accounting Officer to take steps to implement the recommendations of the Auditor-General and Parliament. This persistent non-compliance undermines accountability.

Committee Recommendations

1. The Accounting Officer is directed to comply fully with Section 53 of the Public Audit Act, 2015, by taking concrete steps to implement all outstanding recommendations from the Senate's report on the FY 2023/2024 financial statements.
2. The Auditor-General to explicitly list any unresolved prior-year matters in the subsequent financial year's audit report to ensure continued oversight.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

Basis for Conclusion

7.0 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of financial performance reflects employee costs of Kshs.6,494,700,107 which is approximately 60% of the County Executive's total receipts of Kshs.10,804,046,991 which exceeded the set limit of thirty-five percent (35%). This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which caps County Government spending on personnel emoluments to not more than 35% of the County Government's total revenue.

In the circumstances, Management was in breach of law.

Management Response

The management acknowledges the issue on non-compliance with Fiscal Responsibility on wage bill. The issue was occasioned by;

- A) Health Worker CBA agreements signed on 6th August 2024
- B) Annual increment of staff wages
- C) Inheritance of a huge wage bill of the Devolved Health Staff and which accounts to more than 50% of the entire county wage bill.

In order to mitigate the expenditure on personnel emoluments, the County Government has taken the following measures: -

- i. Continued automation and revenue mapping of Own Source Revenue (OSR) collection system.

Currently, our Own Source Revenue (OSR) is on an upward trajectory as indicated below;

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

COUNTY GOVERNMENT OF MACHAKOS-EXECUTIVE UPWARD TRAJECTORY IN OWN SOURCE REVENUE COLLECTION				
DETAILS	2021/2022	2022/2023	2023/2024	2024/2025
Own Source Revenue	1,118,461,753	1,438,246,573	1,605,460,343	2,181,835,314

-Note that we have collected **kes.1,900,382,643** as at **11th March 2025**.The county projects to surpass the previous audited own source revenues.

- ii. Stopping payment of annual leave commutation for cash.
- iii. non-renewal of contracts for officers over 60 years.

Committee Observation

The Committee observed that employee costs of Kshs. 6.49 billion constituted approximately 60% of the county's total receipts, exceeding the 35% statutory limit. This is a breach of Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015. While the Committee acknowledges the pressures from the Health Workers CBA and inherited staff, this level of non-compliance violates the fiscal responsibility principles in Section 107 of the PFM Act, and threatens the long-term fiscal sustainability of the county.

Committee Recommendation

The Committee recommends that:-

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

8.0 Non-Compliance with Fiscal Responsibility Principles

The statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.10,617,940,332. The expenditure on development was Kshs.893,793,148 or approximately 8% of the total expenditure. This was contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Governments actual expenditure on development shall be at least thirty percent (30%) in conformity with the requirement under Section 107(2)(a) of the Act.

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

Management Response

During the budgeting stage, the management complied with Section 107(2)(b) of the Public Finance Management Act, which states “county governments must allocate 30 percent of their budget to development expenditure over the medium term.’ The allocations were tabulated as shown below;

County Government of Machakos			
Approved budget Analysis -Fy.2024/2025			
	Recurrent -budget	Development Budget	Total Amount (Kes)
Figures	10,874,415,757	4,747,748,597	15,622,164,354
%Age	<u>70</u>	<u>30</u>	<u>100</u>

However, on implementation stage, the management did not realize **ksh. 1,743,957,751** and **Ksh.897,914,814** for **Own Source Revenue (OSR)** and **Conditional Grants** respectively. This adversely affected our cash-flows forcing the management to apply the general rules on execution of budget as stipulated in section 42(I) of the Public Finance Management regulations, 2015. The available resources were allocated on employees costs (kes,6,219,864,833), payment of pending bills (kes.1,237,528,369), Transfer to other government entities (kes.307,956,646), use of goods and services (kes.1,958,797,336) and then development/acquisition of assets (Ksh..893,793,148).

Committee Observation

The Committee noted that development expenditure was 8% of the total expenditure, falling significantly short of the statutory minimum of 30% as required by Regulation 25(1)(g) of the PFM (County Governments) Regulations, 2015. This low absorption of funds for development contravenes Article 201(b)(iii) of the Constitution, which mandates that expenditure shall promote equitable development.

Committee Recommendation

1. The County Executive must prioritize development expenditure in its budget implementation and put in place robust measures to ensure that at least 30% of the total actual expenditure is allocated to development programmes, as mandated by law.
2. The Accounting Officer is directed to ensure that cash flow management prioritizes development projects and that supplementary budgets protect development votes from being excessively cut to fund recurrent expenditure.

3. The Auditor-General to continue monitoring this critical metric in subsequent financial years.

9.0 Outstanding Payment of Medical Insurance Cover

As previously reported, review of medical insurance cover revealed that as at 30 June, 2025, the County Executive had an outstanding amount of Kshs.64,978,836 owed to Jubilee Health Insurance. This was contrary to Section 156(1) of the Insurance Act, 2023 which provides that no insurer shall assume a risk in Kenya in respect of insurance business unless and until the premium payable thereon is received by the insurer.

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

Management Response

The management acknowledges that there was outstanding bill for medical insurance cover by 30th June 2025 due to cash flow challenges. However, the payment has now been processed in accordance with the agreement, vide Purchase Order No. 241 and **paid**. Attached, find a confirmation letter from **Jubilee Insurance Company** dated **18th October 2025** confirming that there is no outstanding amount for Fy.2024/2025. **Appendix 4.20 (L&E)**

Committee Observation

The Committee noted that as at 30 June 2025, the County Executive owed **Kshs. 64,978,836** to Jubilee Health Insurance, contravening **Section 156(1) of the Insurance Act**. Although the amount was subsequently settled, the delayed payment indicates weaknesses in cash flow management and contractual discipline, undermining prudent financial management as required by **Article 201(d) of the Constitution**.

Committee Recommendation

1. The matter is marked as resolved, given the subsequent payment.
2. The Accounting Officer is cautioned to strengthen internal controls over cash management and contractual obligations to ensure all future premiums and critical payments are made promptly and in advance where required by law, to prevent a recurrence of such breaches and protect the county from service disruption.

10.0 Un-Surrendered Imprest

Review of records revealed that imprest amounting to Kshs.104,685,474 was issued to staff. However, imprests amounting to Kshs.3,587,127 had not been surrendered as at the time of audit in August, 2025. This was contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

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

Management Response

The outstanding amount of ksh.3,587,127 in IFMIS system includes unpaid imprests/commitments due to cash-flow issues. The delay in reversing the commitments in the IFMIS system was occasioned by Accrual mode of financial reporting. However, the National Treasury clarified to us that all un-paid imprests/commitments should be cleared from the IFMIS system because “ Statement of cashflow and Statement of Comparison Budget and Actual” are on cash-Basis.

Further, the amount includes some imprests issued towards the end of the financial year and which were paid on 30th June 2025 due to late exchequer releases.

The imprests have now been surrendered and all commitments cleared from the IFMIS system. Attached, find the list of the surrendered imprests, copies of the surrender payment vouchers and other supporting documents for review.

Committee Observation

The Committee observed that an amount of Kshs. 3,587,127 remained unsurrendered at the time of audit. This contravenes Regulation 93(5) of the PFM (County Governments) Regulations, 2015, which requires surrender of a temporary imprest within seven working days. While management attributes this to system transitions, the failure to ensure timely accounting for public funds is a breach of fiduciary duty under Section 68(1) of the PFM Act.

Committee Recommendation

- 1. The Accounting Officer must immediately take steps to recover any outstanding imprests from defaulting officers with interest at the prevailing Central Bank Rate, as provided for under Regulation 93(6) of the PFM (County Governments) Regulations, 2015.**
- 2. If recovery is not possible, the Accounting Officer must initiate sanction and surcharge proceedings against the responsible officers in line with Regulation 93(7) and Section 226(5) of the PFM Act which holds officers liable for any loss arising from the use of public funds contrary to law.**

11.0 Irregular Operation of NAVCPD Commercial Bank Account

The statement of financial position and as disclosed in Note 21 to the financial statements, reflect cash and cash equivalents of Kshs.334,439,455. Review of documents revealed that the County Executive operated a commercial bank account under the name Machakos County National Agri Value Chain which had a balance of Kshs.77,687,164. However, payments from this account were not processed through IFMIS contrary to the donor's requirement that all payments must be processed through IFMIS.

In the circumstances, the donor conditions were not adhered with.

Management Response

Section 2 (2.1)(b) and (e) of Intergovernmental Participation Agreement (IPA) on the obligation of the County Government states that “County governments should open a County Special Purpose Account with the Central Bank of Kenya and an operational Account in a commercial bank

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

acceptable to the World Bank. The County Project Coordinator is the only mandatory signatory in the commercial bank account..

In addition, the NAVCDP Finance Manual 2024, Section 2.4, stipulates that the Project shall operate separate bank accounts for each project implementing entity at the national and county levels. Further, every participating community will be required to open a separate bank account for operational purposes. The signatories to the accounts will be the County Project Coordinator, County Project Accountant, and either the Accounting Officers- Finance or Agriculture .

Therefore, the management complied with above provisions by operating Machakos County National Agriculture Value Chain Project (NAVCP) Account No.1000719796 , held at Central Bank of Kenya and a Cooperative Bank-operational account no 01100010295001 for operational purposes. Attached, find a copy of the Intergovernmental Participation Agreement (IPA) and NAVCDP Finance Manual 2024, confirming that the management did not breach the donor agreement but acted with the agreed provisions between the donor and National Treasury

Committee Observation

The Committee observed that the operation of a commercial bank account for the NAVCDP project was in compliance with the specific provisions of the Intergovernmental Participation Agreement (IPA) and the NAVCDP Finance Manual 2024, which are contractual documents agreed upon with the donor and the National Treasury.

Committee Recommendation

The Committee recommends that the National Treasury, in its capacity as the custodian of public financial management, ensures that all future financing and participation agreements with donors are aligned with the PFM Act, and its regulations from the outset. This will prevent conflicts between contractual obligations and national law, ensuring that all public funds, regardless of source, are managed within the integrated financial management system where required.

12.0 Completion of Early Childhood Development Education (ECDE) Centres

A contract was awarded for construction of Kitooni, Nguluni AIC and Kangundo ECDE classes Lot 1 at a contract sum of Kshs.4,405,819. However, the contract was terminated after issuance of Certificate Number 1 which valued the work done at an amount of Kshs.2,633,831. The amount was paid and another firm was awarded the contract to complete the ECDE classrooms at a contract sum of Kshs.3,047,459 which increased the total cost of the project from the initial amount of Kshs.4,405,819 to Kshs.5,681,290. However, the valuation report of the remaining works after termination of the first contract and Engineers estimates for the new Bill of Quantities were not provided for audit review. Management had explained that the increase was due to inclusion of floor tiles which were not in the first contract and due to fluctuation of prices. However, no documents were provided in support of this explanation.

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

The first contractor failed to resume construction of the ECDE Classes after payment of Certificate Number 1. The management had to terminate the project and re-issue to the new contractor (Kwanzu Enterprises Limited). Attached find the project inspection committee minutes confirming the value of the remaining work after termination dated 21st September 2023, Engineers estimates for the new Bill of Quantities, departmental requisition for the additional work (floor tiles), revised estimate and the paid certificate for review.

Committee Observation

The Committee observed that the termination of a contract and subsequent re-award for ECDE centres resulted in a cost overrun of Kshs. 1,275,471 (29%) without adequate initial justification. This failure to provide valuation reports and engineers' estimates contravenes the principle of value for money in Article 201(d) of the Constitution and the requirement for economy and efficiency in Regulation 22(1) of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

1. The Accounting Officer must take immediate steps to recover the additional costs of Kshs. 1,275,471 from the defaulting contractor by enforcing the performance security and other contractual provisions, as empowered by Section 137 of the Public Procurement and Asset Disposal Act, 2015.
2. The County Executive must ensure the mandatory engagement of qualified professionals, such as quantity surveyors, for all future project valuations to ensure accuracy and value for money.

13.0 Stalled Construction of Two (2) Twin Workshops at Matuu VTC

A contract was awarded for the construction of two (2) twin workshops at Matuu Vocational Training Centre at a contract sum of Kshs. 17,393,550. However, the contract agreement signed on 26 June, 2023 did not indicate the contract period. In addition, valuation certificate number 1 was raised on 6 March, 2024 certifying the payment of Kshs. 6,506,239 in respect of the works completed. However, no payment had been made as at the time of audit in August, 2025 and the contractor was not on site.

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

Management Response

The contract period was supposed to be six months. The supplier was not paid in Fy.2024/2025 due to under-funding occasioned by failure to meet our revenue targets. However, the certificate amount has been committed in our payment plans for Fy.2025/2026. Attached, find the varied contract agreement and an extract budget for fy.2025/2026 confirming budget availability.

Committee Observation

The Committee observed that the construction of workshops at Matuu VTC has stalled due to non-payment, and the completed workshop at Kamwanyani VTC lacks essential equipment, rendering it non-operational. It contravenes the requirement for effective, efficient, and economical use of

resources as per Section 107(2) of the PFM Act and Article 174 of the Constitution which aims to bring services closer to the people.

Committee Recommendation

- 1. The County Executive must establish and operationalize a robust project management and monitoring system as required by the PFM Act, ensuring integrated planning that encompasses construction, equipping, and staffing before project commissioning.**
- 2. The Governor must prioritize the completion and operationalization of these VTCs. A detailed status update, including a timeline for payment of the contractor at Matuu and the procurement plan for equipping Kamwanyani, must be submitted to the Auditor-General and the Committee within 90 days.**

14.0 Non-Operationalization of Twin Workshop

A contract was awarded for proposed construction of a twin workshop at Kamwanyani Vocational Training Centre at a contract sum of Kshs.12,556,200. However, the workshop was completed but lacked adequate equipment and essential tools required for effective delivery of tertiary courses offered which included carpentry, tailoring and hair dressing among others.

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

Management Response

The construction and equipping process of Kamwanyani VTC was being done in phases. Currently, the construction phase is complete and therefore, equipping will be done in Fy.2025/2026. Attached, find the procurement plan and a budget for fy.2025/2026 confirming that the county has allocated ksh.24,723,190 to equip the VTC

Committee Observation

Committee noted that construction of twin workshop was complete but lacked adequate equipment and essential tools required for effective delivery of tertiary courses offered which included carpentry, tailoring and hair dressing among others.

Committee Recommendation

- 1. The County Executive must establish and operationalize a robust project management and monitoring system, as provided for in the Public Finance Management Act, to ensure proper project conceptualization, planning, and execution. This should include integrated planning for infrastructure, equipment, staffing, and utilities before project commissioning.**
- 2. The County Governor, in line with their executive authority under Article 179 of the Constitution, must prioritize the completion and operationalization this project. A status update on the twin workshop at Kamwanyani Vocational Training Centre project must be provided to the Auditor-General and the Committee within 90 days.**
- 3. The Auditor-General continues to monitor this in the subsequent audit cycle.**

15.0 Irregularity in Supply and Delivery of Milk for Early Childhood Development and Education (ECDE) Centers

A contract was awarded to a supplier for supply and delivery of 629,000 (200ml) packets of milk at an amount of Kshs.38 per packet as per evaluation report dated 28 December, 2023 with implementation period of ninety (90) days under framework agreement which involved seven (7) suppliers. However, the firm signed a contract of one year dated 12 January, 2024 despite the tender document stating ninety (90) days implementation period. During the year under review, the firm was paid Kshs.51,769,612 for supply and delivery of 1,362,346 (200ml) packets of milk for ECDE Centers. In addition, the firm had continuously supplied milk to the County even after supplying a total of 629,000 packets of milk which was stated in the tender documents. Management explained that the contract was extended for one (1) year. However, this was irregular as there were no call-off orders, or any other mini competition done to give chance to the other six (6) firms having framework agreements with the County Government.

In the circumstances, the extension for the contract was irregular and value for money may not have been received from supply and delivery of milk to ECDE centres.

Management Response

The Supply and delivery of milk was done through Framework agreement for the financial year 2022-2023 & 2023-2024. The mini competition Tender GMC/FWA/EE/027-003/2022-2023/2023-2024/2024-2025- supply and delivery of milk for ECDE Centers was conducted within the framework period. Attached, find the opening minutes, evaluation report and contract agreement confirming that a mini-competition/ call-off orders were conducted in compliance with procurement laws. However, these documents were mis-filed and later submitted to the auditor during audit report review.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observations

The Committee noted that the supplier delivered more than double the initially tendered quantity over a period longer than stipulated, without evidence of mini-competitions among the seven framework agreement holders. This practice contravenes Sections 114 of the Public Procurement and Asset Disposal Act, 2015, which requires fair, equitable, transparent, and competitive procurement. The lack of initial documentation raises concerns about record-keeping and transparency as required by Article 227 of the Constitution.

The County Executive later submitted the missing documents (opening minutes, evaluation report and contract agreement).

Committee Recommendation

The Auditor General to assess the implementation of this contract in subsequent audit cycle.

16.0 Non- Renewal of Performance Bond and Insurance

A contract for construction of phased development of ultra-modern-multi-purpose/discipline sports complex in Machakos New City was awarded at a contract sum of Kshs.1,107,250,003. However, as at the time of audit in August, 2025, the performance bond and insurance for material damage and

third-party liability had expired on 10 May, 2025 and 9 July, 2025 respectively and no renewal had been done. In addition, valuation Certificate Number 2 valued the swimming pool at an amount of Kshs.21,052,820. However, the amount was not broken down into specific works which were done by the contractor.

In the circumstances, the County remained unsecured in case of default by the contractor.

Management Response

The Management has provided a renewed performance bond policy **NO.CO2/236/1/0000219/2024** and **Insurance Policy No.: 20/201/0002298** expiring on **10th May 2026** and **09th July 2026** respectively for review. The project is still within the contract period that run for two years from **22nd May, 2024 to 22nd May 2026** and therefore, the Contractor's programme of works/project work schedule are valid. Lastly, The valuation Certificate with specific works items for swimming pool is also provided for verification.

Committee Observation

The Committee observed that the performance bond and insurance for the multi-billion-shilling sports complex project had expired, leaving the county exposed to significant risk. This lapse contravenes prudent project management and the requirements for valid performance security under Sections 142-145 of the Public Procurement and Asset Disposal Act, 2015. While the matter was subsequently rectified, the initial lapse indicates deficiencies in proactive contract administration.

Committee Recommendation

- 1. The Committee directs that the County Executive institute mandatory monthly reviews and tracking mechanisms for all performance securities, insurances, and contractual safeguards on ongoing capital projects to prevent future lapses.**
- 2. Management must ensure all interim payment certificates are supported by detailed, itemized breakdowns of work done. A compliance report on the sports complex project's progress and adherence to all contractual security requirements must be submitted to the Senate and Auditor-General within 90 days.**

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

Review of revenue records obtained from Level 4 and Level 5 health facilities in Machakos County revealed that eleven (11) health facilities collected a total Kshs.605,516,224 towards the Health Facilities Improvement. Out of this amount, a total of Kshs.192,379,722 was transferred to County Revenue Fund. However, the County Treasury reimbursed a total of Kshs.100,618,500 to the health facilities resulting in a deficit of Kshs.91,761,222. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all Public Health Facilities be retained in the Hospital Facilities Improvement Financing Account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

The 12 health facilities (11-level 4s and one Level 5) collected a total amount of Kshs.605,516,224 (125.91%) against a revenue budget of Ksh.480,900,000.The management managed to transfer Kshs.100,618,500 instead of the entire amount of Kshs.192,379,722 due to budget constraint that was occasioned by the facilities collecting more than the allocated budget in department of Health.Any transfer could have resulted to un-authorized expenditure outside the budget allocation.The county treasury has initiated the process of factoring-in the balance of Kshs.91,761,222 in our first supplementary budget for Fy.2025/2026.

Currently, the management has complied with Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all Public Health Facilities be retained in the Hospital Facilities Improvement Financing Account.The amount was swept from the facilities' accounts to County Revenue Fund (CRF) because all facilities had not complied with Section 11 of the Machakos County Health Services (Amendment act), 2024 states that, there is established a Board in each hospital to be known as a Hospital Management Board.All facilities have functional Hospital Boards of Management(HBoM) .

Committee Observation

The Committee observed that the transfer of Kshs. 192,379,722 from health facilities' FIF accounts to the County Revenue Fund (CRF) was a direct contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023. This action undermined the core objective of the FIF framework, which is to empower health facilities to retain and manage their own resources for improved service delivery.

Committee Recommendation

1. The County Executive and County Treasury must fully comply with Section 5(1)(2) of the Facilities Improvement Financing Act, 2023.
2. All health facilities must immediately be allowed to retain revenue at source in their designated FIF accounts, in line with the principle of devolved management.
3. The Auditor-General is requested to pay special attention to this matter in the next audit to confirm full compliance and that no further funds are swept into the CRF.

MANAGEMENT RESPONSE TO REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE (ROR)- STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MACHAKOS

Unmodified Opinion

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue targets and actual on comparable basis of Kshs.3,925,793,065 and Kshs.2,116,411,126 respectively resulting to revenue budget under-realization of Kshs.1,809,381,939 or approximately 46 % of the revenue budget.

The under-realization of revenue budget affected the planned activities and may have impacted negatively on service delivery to the Public.

My opinion is not modified in respect of this matter.

Management Response

Machakos County recorded an improved revenue performance in FY 2024/2025, achieving an additional KSh 567,062,649 (2,116,411,126- 1,549,348,477) in revenue collections compared to FY 2023/2024.

Note that we have collected **kes.1,900,382,643** as at **11th March 2025**.The county projects to surpass the previous audited own source revenues.

The management initiated the following strategic measures in order to enhance revenue collection;

1. Own source Revenue mapping-The county embarked on mapping of Own Source Revenue exercise in FY.2022/2023 and established the real potential is at **ksh.6.7 Billion**.As a result, the county has visibility of all the revenue streams across the **40 wards** and has been able to establish an accurate revenue asset register.**Appendix 7(1)**

2.Digitization of all revenue streams -The County has transitioned into a fully automated cashless revenue collection system for both health and non-health revenues. The county implemented Health Management Information System (HMIS) (Aphiaone) and non- health revenue management system (Machapay).Aphiaone manages patients records from time they walk in to the time they are discharged.It also has stock management capabilities.

Machapay is a web based system for non health revenue streams designed to bring on board the following capabilities;

- A) Maintenance of revenue assets registers for structured revenues
- B) Bulk invoicing and Billing
- C) Receipting
- D) Reporting
- E) Audit trail
- F) Open Citizen service portal
- G) Automated Building plan approval
- H) Automated liquor license approval
- I) USSD and POS platforms for unstructured revenues
- J) Productivity management
- K) Integration with mobile money and bank
- L) Debt (Receivables) management
- M) Revenue enforcement App.

Attached, find screen shot of the above parameters for review.

2. One Stop revenue collection shop/centers-The model aims to **save time, reduce costs and improve service efficiency** for customers who are unable to utilize customer service portal by bringing services at their door step.This initiative has been rolled out in the following urban centers-

Mlolongo, Kyumbi, Githunguri and Joska. There is a plan to replicate the initiative to other urban centres.

3. Valuation Roll for Property Taxation- The unveiling of Machakos County Land and physical valuation roll is a game changer, particularly on revenue collection. This document is crucial for determining property taxes and other related levies within our Jurisdiction. The data will help the county exceed revenue targets upon successful implementation. The legacy land rate register had **71,654 ratable parcels of land** with annual ratable revenue of **Ksh.391,525,482**. The new valuation roll register has **372,200 properties** with a conservative projected annual land rates revenue of **ksh.5,974,855,447**. This presents the county with further revenue potential of **ksh.5,583,329,965** once fully implemented.

4. Public Engagement and Sensitization- During the budgeting cycle, through the ministry of Finance, the county has always had candid engagement with its citizens on the role played by the Own Source Revenue in funding development agenda of the county.

5. Fraud Proof Accountable Documents- The county has curbed and contained revenue leakages through introduction of serialized permits and other printed stationaries with key security features for instance loss of security features on photocopying and scanning, QR scan code for verification among others.

Committee Observation

The Committee observed that the Receiver of Revenue experienced a significant revenue budget under-realization of Kshs. 1.8 billion (46%). While the management attributes this to system transitions (Machapay system) and other disruptions, this level of under-collection severely impacts the county's ability to finance its budget and deliver services as planned, violating the fiscal responsibility principle of predictable revenue bases (Section 107(2)(g) of the PFM Act).

Committee Recommendations

1. The Auditor-General is directed to undertake a special audit on the Machapay revenue system and the broader automation infrastructure for revenue management, to identify any system weaknesses, data integrity issues, or control lapses contributing to the shortfall. A report must be submitted to the Senate within 60 days.
2. The County Executive must submit a detailed revenue enhancement plan to the Auditor-General and the Senate within 90 days. This plan must outline clear, measurable, and time-bound strategies to stabilize the new system, improve collection, and expand the revenue base to meet annual targets, as required by Section 107 of the PFM Act.

Basis for Conclusion

2.0 Unsatisfactory Management of Facility Improvement Financing (FIF) Accounts

During the year under review, Management operated two bank accounts for collection of revenue for Hospitals (FIF) at Family bank and Middle East bank. Although, Management provided evidence of having closed the Family bank account and funds transferred accordingly, the Middle East bank was still operational. This was contrary to Section 5(1) and (2) of the Facilities Improvement Fund Act, 2023 which requires all Public Health Facilities to retain all monies raised or received by or on behalf

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

of each Health Facility and that each Hospital shall open a Facility Improvement Financing Account which shall be paid all monies received by or on behalf of the respective Public Health Facility.

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

Management Response

During the transition period, following the enactment of the Facilities Improvement Fund Act, 2023, the Management temporarily operated FIF collection accounts at Family Bank and Middle East Bank in order to **ensure continuity of revenue collection** while **aligning existing banking arrangements with the new legal framework**.

Subsequently, the **Family Bank account** was **closed** and all funds there-in were **transferred** to **Middle East Bank**. The Middle East Bank account remained operational during part of the financial period under review (Fy.2024/2025 and Fy.2025/2026), as the management **guided all health facilities** into **full compliance** with Section 5(1) and (2) of the Facilities Improvement Fund Act, 2023.

Management further notes that, during the period under review, the facilities had **not** established **Hospital Management Board**. The **absence of fully constituted Hospital Management Boards** **limited effective governance** and **oversight structures** at facility level, thereby increasing the **risk of mismanagement** of ring-fenced funds.

Management wishes to clarify that **Hospital Boards of Management (HBoM)** have since been duly **gazetted vide Gazette Notice No. 15133** dated **16th October 2025**. Additionally, all management boards for **197 health facilities**, including the **12- Level 4 hospitals**, were inaugurated and sworn into office on **21st January 2026**. This milestone has **significantly strengthened governance, oversight, and accountability mechanisms** at facility level.

The **presence of functional hospital boards** will pave way to **several corrective measures** aimed at transferring all related funds to the approved Facility's Improvement Financing Account hence fully ope-rationalizing the FIF Act.

Therefore, Management remains **committed to full compliance** with the relevant legal frameworks while at the same **strengthening internal control** on all collected FIF revenues.

Committee Observation

- 1) The Committee noted the Management operated two separate bank accounts for hospital revenue collection (Family Bank and Middle East Bank), contrary to Section 5(1) and (2) of the Facilities Improvement Financing Act, 2023. This section mandates that all monies raised or received by or on behalf of public health facilities be retained at the facility level and deposited into a single designated Facility Improvement Financing Account for each respective facility.
- 2) Committee noted that while evidence was provided for the closure of the Family Bank account (with funds transferred), the Middle East Bank account remained operational, constituting a breach of the Act during the transition following its enactment. The Committee further observed that the absence of fully constituted Hospital Boards of Management (HBoM) during the period limited effective governance, oversight, and accountability for ring-fenced FIF funds at facility level, thereby heightening risks of mismanagement.

Committee Recommendation

Committee recommends that this matter be marked as resolved, taking into account the following:-

- i. Corrective actions already implemented (account closure, fund transfers, and gazette/inauguration of Hospital Boards of Management).
- ii. Management's demonstrated commitment to full compliance with the Facilities Improvement Financing Act, 2023, and enhanced internal controls over FIF revenues.

MANAGEMENT RESPONSE TO REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND (CRF) STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MACHAKOS

Qualified Opinion

Basis for Qualified Opinion

1.0 Inaccuracies in Transfers to County Executive

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The statement of financial performance reflects Kshs.10,897,356,291 in respect to transfers to County Executive as disclosed in Note 11 to the financial statements. However, the statement of financial performance for the County Executive reflects Kshs.10,804,046,991 as transfers from County Revenue Fund (CRF) resulting in unexplained variance of Kshs.93,309,300.

In the circumstances, the accuracy of transfer to County Executive of Kshs.10,897,356,291 could not be confirmed.

Management Response

The amount in difference of ksh.93,309,300 ((10,897,356,291-10,804,046,991) relates to self reporting entities as tabulated below;

Analysis of Ksh.ksh.93,309,300 for Fy.2024/2025	
Special purpose accounts-Climate Change	61,000,000
Special purpose account -KUSP- UIG	32,309,300
Total	93,309,300

During reporting period, the figure remained in suspense account and detected during reconciliation exercise to have been reported as part of our County Revenue Fund (CRF).Therefore, the correct figure was Ksh.10,804,046,991 because the two figures were reported separately in audited financial statements for Climate Change Fund and Municipalities which are self-reporting entities.

Therefore, these prior year adjustments will be effected in comparative financial statements for Fy.2025/2026.We hereby attach the supporting schedules, CRF and Special Purpose Accounts statements- Fy.2024/2025 for verification.

Committee Observation

The Committee noted an unexplained variance of Kshs.93,309,300 between transfers from the CRF to the County Executive as reported by the two entities. While management explained this as amounts belonging to self-reporting entities (Climate Change Fund and Municipality), this misclassification in the County Executive's books indicates weaknesses in reconciliation and financial reporting. This contravenes Section 81(3) of the PFM Act, which requires financial statements to be prepared accurately and in compliance with accounting standards.

Committee Recommendation

1. The matter is marked as resolved, subject to the proper prior-year adjustments being made in the FY 2025/2026 financial statements to correct the comparative figures.
2. The Accounting Officer is directed to strengthen monthly reconciliation procedures between the CRF and all county government entities to ensure that all inter-entity transactions are accurately captured and classified in the respective financial statements, preventing recurrence.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

CHAPTER SIXTEEN

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

The Governor of Nyandarua County, Hon. (Dr.) Moses N. Kiarie Badilisha, appeared before the Committee on Wednesday 5th February 2026, to respond (under oath) to audit queries raised in the Reports of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Nyandarua County Executive for the Financial Year 2024/25.

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

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Unexplained Voided Transactions

Review of the financial records revealed that one thousand nine hundred and ninety-eight (1998) transactions amounting to Kshs. 1,191,206,248 were voided during the financial year under review. However, supporting documents such as voided payment vouchers, requests to void payments, The National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided for audit verification. Further, the voided payments have not been disclosed as pending accounts payable and the utilization of funds meant for voided transactions was also not confirmed.

In the circumstances, the regularity of voided transactions amounting to Kshs. 1,191,206,248 could not be confirmed.

Audit issue

- i. Lack of explanation and supporting documents to support voided transactions.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management response.

Voiding is a module under IFMIS for canceling transactions that had already been submitted to internet banking. The reasons for voiding include—

- a) return payments that need to be re-submitted to IB;
- b) transactions that were submitted to IB but did not reflect due to system error and need to be resubmitted;
- c) end of year procedure of clearing payments in the system that were not paid and were captured payable as at 30th June 2025; and
- d) management can also terminate a transaction at any stage in-case there are issues with the payment.

The query was raised in the draft report stage and necessary explanation and support documents were provided.

Committee Observation

The Committee observes that the failure by the County Executive to provide supporting documents for the voided transactions, including voided payment vouchers and requests to void payments, is a contravention of Section 31(4) of the Public Audit Act, 2012 (Cap. 412B). This lack of documentation and transparency impedes the audit process and undermines the principles of accountability and transparency in the use of public funds as enshrined in Article 201(a) of the Constitution.

Committee Recommendation

The Committee recommends that—

1. the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;
2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;
3. the National Treasury to review the voided transactions to confirm whether due process was followed in voiding, noting to stipulate how and why the transactions

were voided, and report back to the Senate within ninety (90) days of adoption of this report;

4. the Cabinet Secretary for the National Treasury to ensure IFMIS is reconfigured with the Central Bank of Kenya system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved for payment and report back to the Senate within ninety (90) days of adoption of this report; and
5. the Ethics and Anti-corruption Commission investigates the voided transactions to determine whether funds were utilized for purposes approved by the Controller of Budget.

2. Unreconciled Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 23 to financial statements reflects receivables from non-exchange transaction of Kshs.1,627,082,389 which relates to receipts that were due from County Revenue Fund. However, the balance differs with the corresponding payables balance from County Revenue Fund financial statements amounting to Kshs.1,646,579,968, resulting to un-reconciled variance of Kshs.19,497,579. In the circumstances, the accuracy and completeness of receivables from non-exchange transaction of Kshs.1,627,082,389 could not be confirmed.

Audit issue

- i. Unreconciled variance of Kshs 19,497,579

Management response.

The County Executive financial statements were prepared using the IPSAS accrual accounting framework that requires recognition of all receivables. However, the County revenue fund serves the County executive, County Assembly and other County Entities such as FLLOCA, KDSP, KISIP, Municipalities that have special purpose accounts and prepare separate financial statements.

Since County Revenue Fund receives funds for many entities thus payables in CRF relates to all entities and not just the County executive. And in this case, the variance of Ksh19,497,579 between receivables reported by the County Executive and Payables reported by CRF relates to payables to FLLoCA fund by CRF since FLLoCA fund is a self-reporting entity.

Committee Observation

The Committee observes that the unexplained variance of Kshs. 19,497,579 between

the County Executive's receivables and the County Revenue Fund's payables is a fundamental accounting discrepancy. This failure to reconcile accounts contravenes the principles of accurate financial reporting as required by the PFM Act and the standards set by the Public Sector Accounting Standards Board (PSASB).

Committee Recommendation

The Committee recommends that—

- 1. the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report; and**
 - 2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**
- 3. First-Time Adoption of IPSAS 33 and Transitional Provisions.**

The cover page of the financial statements indicated that the financial statements were Transitional IPSAS financial statements / prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS) instead of indicating one option that was adopted. Further, Note 2 to the financial statements under the statement of compliance and basis of preparation of financial statements, the County Executive did not clearly indicate which transitional provision the entity took advantage of under IPSAS 33 for a three-year transition period. In addition, the County Executive did not disclose the specific transitional provisions and measures being taken towards full compliance with IPSAS Accrual Contrary to IPSAS 33 which explicitly requires an entity that utilizes any transition exemptions to clearly disclose the transition provisions that it has applied.

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

Audit issues

- i. Indication of two standards instead of indicating one option that was adopted.
- ii. Lack of disclose the specific transitional provisions and measures in the note.

1020

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management response.

The financial statements were prepared accordance with IPSAS 33 taking advantage of transitional provisions. However, management admits that this was not clearly indicated in the financial statements cover page and note 2 and going forward the standard shall be complied to.

Committee Observation

The Committee noted that the County Executive's failure to clearly disclose the specific transitional provisions it applied under IPSAS 33, and the ambiguous labeling of its financial statements, is a breach of the reporting standards prescribed by the Public Sector Accounting Standards Board (PSASB). This lack of clarity undermines the comparability and reliability of the financial information.

Committee Recommendation

The Committee recommends that:

- 1. The County Executive adheres to IPSAS 33 as prescribed by the Public Sector Accounting Standards Board; and**
- 2. The County Executive builds the capacity of its accounting officers with respect to IPSAS 33 to ensure full compliance in future financial statements.**

Emphasis of Matter.

1.0 Budgetary Control and Performance

1.1 Underutilization of Budget.

The statement of comparison of budget and actual amounts-recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.8,779,773,471 and Kshs.4,790,756,342 respectively, resulting in an under funding of Kshs.3,989,017,129 or 45% of the budget. Similarly, the County Executive spent an amount of Kshs. 4,592,860,887 against actual receipts of Kshs. 4,790,756,342 resulting in an under-expenditure of Kshs.197,875,455.

The under-funding and under-utilization of the budget may have impacted negatively on the delivery of goods and services to the public.

Audit issues

- i) 45% underfunding of the budget
- ii) Under expenditure of Kshs 197,875,455.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management response.

45% underfunding of the budget.

The underfunding was as a result of late disbursement of funds by the National Treasury where Ksh 1,627,028,289 was received after 30th June 2025, non-remittance of donor funds budgeted for and shortfall in own source revenue due to harsh economic realities.

Under expenditure of Kshs 197,875,455.

These were bank balances as at 30th June 2025 that were spent before the closure of the financial year.

Committee Observation

The Committee observed that;

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

Committee Recommendation

The Committee therefore recommends that:

3. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act(Cap. 412A); and
4. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.

1.2 Late Exchequer Releases.

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects transfers from County Revenue Fund in form of exchequer releases amounting to Kshs. 6,297,330,369. Included in the balance is an amount of Kshs.1,527,255,673 that was received in the month of July after the end of the accounting period.

Late disbursement of Exchequer releases to the County Revenue Fund may have negatively impacted on implementation of County Government programmes for the

year under review.

Audit Issues

- i. Late exchequer release.

Management response.

Management advocate for timely disbursement of the equitable share of revenue to enable effective budget absorption thus enhancing service delivery to the public.

Committee Observation

The Committee noted that delays in receiving exchequer releases from the National Treasury and under-collection of own source revenue hindered optimal program implementation and effective budget execution.

Committee Recommendation

The Committee therefore recommends that:

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

2.Long Outstanding Payables.

The statement of financial position and as disclosed Note 32 to financial statements reflect trade and other payables balance of Kshs.5,024,674,774. Included in the balance is an outstanding amount of Kshs.2,746,515,943 that remained unsettled for over a year comprising payables of Kshs.77,727,236 aged 1-2 years, Kshs.35,046,274 aged 2-3years and Kshs.2,633,742,433 aged over three (3) years.

In the circumstances, the failure to meet the obligations as they fall due may be an indicator of possible disputes and disagreements with the services providers owed the amounts.

Audit issues

- i. Unsettled trade and other payables for prior years.

DATE	
TABLED BY	
COMMITTEE	
PRK AT THE TABLE	

Management response.

Management responded that In FY 2024-25 they managed to settle pending bills worth Ksh 404,130,678. In Financial year 2025-2026 management has budgeted Kshs. 347,492,940 towards settlement of pending bills in the original budget and has already cleared pending bills worth Kshs. 284,600,200.

Included in Ksh 2,746,515,943 that remained unsettled for over a year is a pending bill amounting to 1,067,994,657 that relates to construction of JM Memorial hospital, a contract that has been terminated and construction taken over by the department of Defence.

Committee Observation

The Committee observes that the failure to settle payables totalling Kshs. 2,746,515,943 for periods exceeding one year is a sign of severe financial distress and poor financial management. This contravenes Regulation 41(2) of the PFM (County Governments) Regulations, 2015 which requires debt service payments to be a first charge on the County Revenue Fund. The accumulation of pending bills undermines the economy and can lead to disputes and costly litigation.

Committee Recommendation

The Committee recommends that:

1. trade payables due for more than 365 days must be considered as poor financial management and the county executive must provide actionable payment plans within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;
2. the county executive to pay all staff payables to their staff within ninety (90) days of the payables becoming due failure to which the subsequent quarter budget releases will not be effected
3. the county executive to pay all statutory deductions to the relevant agencies within statutory deadlines and in any event within ninety (90) days of the deductions becoming due failure to which the subsequent quarter budget releases will not be effected;
4. the county executive to pay all pension deductions to the relevant fund within ninety (90) days of the deductions becoming due failure to which the subsequent quarter budget releases will not be effected;
5. the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff as payables, statutory deductions and pensions to establish whether any funds due to staff was retrieved from the County Revenue Fund, and if so, how the funds were utilized with a view to recommending the prosecution of persons determined liable misdirecting the funds; and

6. the county executive pays verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027.

The Committee further recommends that—

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources respectively. Review of the status during audit in 2024/2025 revealed that the indicated matters in **Appendix I** remained unresolved.

Failure to resolve prior year issues is an indication of weakened accountability and

governance due to lack of action on previously raised issues and non-compliance with statutory requirements of the Public Audit Act, 2015.

Audit issues

Failure to resolve Prior year matters.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management response.

The County Executive stated that it is progressively resolving prior year issues as raised and attached an audit recommendation implementation matrix

Committee Observation

The committee observed that audit issues from previous financial years had not been resolved

Committee Recommendation

The Committee Recommends that—

1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor General for Nyandarua County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;
2. the account officer complies with section 53 of the Public Audit Act (Cap. 412B) by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;
3. the County Executive engages with the Office of the Auditor General to address and resolve any outstanding matters; and
4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion.

1. Payment of Salary Outside Integrated Payroll and Personnel Database and Human Resource Integrated System (HRIS)

The statement of financial performance as disclosed under Note 9 to the financial statements reflects employee costs balance of Kshs.2,486,839,933 which include Kshs.2,483,292,033 paid as basic salaries of permanent employees which further include Kshs.93,005,874 paid outside the Integrated Payroll and Personnel Database (IPPD) system and the Human Resource Integrated System (HRIS) through manual payrolls. This was contrary to The National Treasury Circular No.16/2020 which requires personnel emoluments to be controlled in the public personnel database and supported by IPPD. Management did not illustrate efforts undertaken to regularize this anomaly.

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

Audit issue

- i. Basic salaries of permanent employees paid outside the Integrated Payroll and Personnel Database (IPPD) system and the Human Resource Integrated System (HRIS) through manual payrolls.

Management response.

Some categories of employees were paid through the manual system for various reasons as explained below: -

1. VIP Security Staff on top-up- These are Administration Police Officers and their primary employer is the Ministry of Interior. An officer cannot be in two Government Payrolls. Twenty-Seven (27) Administration Police Officers were therefore paid outside the IPPD/HRIS system.
2. The County recruited 250 ECDE Teachers who were paid using manual payroll in the month of March, April, May and June 2025 as the efforts to get payroll numbers was ongoing.
3. One Hundred and Eighty-Four (184) Interns were also on boarded by the County Executive during the period under review. The County Executive made efforts to secure Payroll Numbers for the interns from the Ministry of Public Service however, the Ministry could not allocate the numbers to the engaged interns since there is no uniform policy on Internship Programs in the Counties. Subsequently the interns were paid outside the IPPD/HRIS system.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Below is a schedule of the manual payments

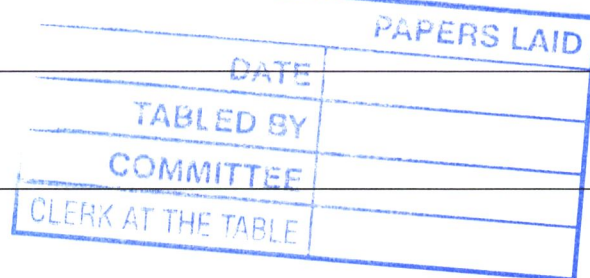
Manual				
Security and New Employees	Interns	ECDE Teachers	other vouchers	Total
1,006,145.00	2,979,516.13	-	33,976,923.91	37962585.04
1,006,145.00	2,824,354.84	-	34,750.00	3,865,249.84
1,006,145.00	1,352,644.96	-	-	2,358,789.96
1,006,145.00	320,000.00	-	-	1,326,145.00
1,006,412.00	2,110,806.45	-	368,530.35	3,485,748.80
1,812,583.71	2,691,000.00	-	893,496.00	5,397,079.71
1,203,744.00	2,821,290.33	-	150,000.00	4,175,034.33
1,900,066.62	2,534,740.77	-	150,000.00	4,584,807.39
2,111,960.16	3,007,655.00	4,725,000.00	-	9,844,615.16
1,191,791.00	2,844,500.00	2,462,258.07	-	6,498,549.07
1,241,791.00	1,169,667.00	2,460,000.00	3,774,674.20	8,646,132.20
898,886.00	819,924.50	2,460,000.00	682,327.00	4,861,137.50
15,391,814.49	25,476,099.98	12,107,258.07	40,030,701.46	93005874.00

Schedule for other vouchers:

MONTH	VOUCHER AMOUNT	EXPLANATION
Jul-24	33,976,923.91	JUNE 2024 PAYE ARREARS PAID IN JULY 2025 VIA A VOUCHER

Aug-24	34,750.00	SALARY ARREARS FOR ALICE WANJIRU WAINAINA
Sep-24	-	-
Oct-24	-	-
Nov-24	368,530.35	MEDALLION AWARD FOR 1. ERIC OYAYO ON YANGO - 50,000. SALARY ARREARS - JAMES KARIUKI GATHERU -

		53,693.35. PAYMENT IN LIEU OF LEAVE - JUVENALIS THIO NG'O - 264,837
Dec-24	893,496.00	SALARY ARREARS FOR JAMES MAINA WAMB UGU - W.E.F 1ST JAN 2016 - 30TH NOV 2018
Jan-25	150,000.00	MEDALLION AWARD FOR 1. MILKA NJERI KAM AU -50,000. MEDALLION AWARD FOR 2. CHARLES NGARA CHU -50,000. MEDALLION AWARD FOR 3. JANE MUMBI - 50 ,000.
Feb-25	150,000.00	MEDALLION AWARD FOR LYDIA MURIUKI - 50,000. MEDALLION AWARD FOR JOHNSON MUTUKU MUSYOKA - 50,000. MEDALLION AWARD FOR PETER KIMANI - 50,0 00.
Mar-25	-	-
Apr-25	-	-
May-25	3,774,674.20	SALARY ARREARS - DR. VICTOR WAITHAKA. W .E.F MAY 2021 - MARCH 2024
Jun-25	682,327.00	MEDALLION AWARD FOR 1. JOHN MBARIRE T HIONGO - 50,000 MEDALLION AWARD FOR 2. GEOFFREY KIARO - 50,000 PENSION ARREARS FOR DR. BONIFACE GACH ARA - 582,327
TOTAL	40,030,701.46	



Committee Observation

The Committee observes that paying permanent employees (ECDE teachers, interns) outside the IPPD and HRIS systems is a breach of National Treasury guidelines and internal controls, exposing the payroll to the risk of fraud and errors. The Committee

further notes that paragraph 7 of the Fourth Schedule to the Constitution designates police services as a function of the National Government, which is solely responsible for the remuneration of police officers. Therefore, the county should not be paying "top-ups" to National Police Service officers.

Committee Recommendations

The Committee recommends that—

- 1. the National Police Service fully remunerates police officers providing police services to county governments as required under paragraph 7 of the Fourth Schedule to the Constitution;**
- 2. the county executive works closely with the State Department of Personnel Management to ensure new staff details are updated immediately they are employed;**
- 3. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;**
- 4. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and**
- 5. the Auditor General to monitor the matter in the subsequent audit cycle.**

2. Non-Compliance with Requirements in Ethnic Diversity.

Review of human resource records revealed that the Executive had two thousand four hundred and twenty-nine (2,429) staff on contractual and permanent & pensionable terms. However, out of this number, two thousand three hundred and twenty-two (2,322) members of staff, which translates to 96%, are from the dominant ethnic community in the county. Further, officers in Job Group P and above are a total of one hundred and twenty-three (123) employees out of which one hundred and ten (110) which translate to 89% were from a dominant ethnic community

This contravenes the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Audit issue.

Failure to adhere to provisions of Section 7(2) of the National Cohesion that no public establishment shall have more than one third of its staff from the same ethnic community

Management response.

All vacant positions in the county are posted on the County's website and newspapers with country-wide circulation. However, the County Public Service Board has had challenges in attracting applications from qualified persons from non-dominant communities due to social- political factors. The board remain committed towards receiving and successfully processing applications from all qualified Kenyans.

Committee Observation

The Committee observes that the County Executive's workforce is 96% from a single ethnic community, which is a direct contravention of Section 7(2) of the National Cohesion and Integration Act, 2008. While noting the ethnographic composition of the county, Section 65(1)(e) of the County Governments Act mandates that at least thirty percent of entry-level posts be filled by candidates not from the dominant community, a legal requirement that must be actively pursued.

Committee Recommendations

The Committee recommends that—

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

3. Staff Earning Less Than One-Third of Basic Salary.

A review of the payroll for the year under audit revealed that four hundred and fourteen (414) staff members earned less than a third (1/3) of their basic salary after deduction contrary to Section 19 (3) of the Employment Act, 2007 and Section C.1 (3) of HR Policies and Procedures 2016.

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

Audit issue

- i. Staff members earned less than a third (1/3) of their basic salary after deduction

Management response.

The Increase of NSSF contribution, SHA and Housing Levy deductions has had a direct impact on civil servants' monthly pay. The levies calculated as a percentage of an employee's gross monthly earnings, is deducted at source alongside other statutory deductions. As a result, the pay for civil servants has reduced by the equivalent amount of the deductions thereby contributing to the staff earning less than 1/3 of their basic pay.

The management has since advised the affected staff to negotiate with financial institutions with the intention of restructuring their loans. This has led to a decrease in the number of staff earning less than 1/3 of their basic pay from the 414 to 39 as at January 2026.

Committee Observation

The Committee observes that allowing 414 county staff to earn less than a third of their basic pay is a violation of Section 19(3) of the Employment Act, Cap. 226, which aims to protect employees' income from excessive deductions. The Committee notes the progress made in reducing this number to 39 but stresses the need for systemic solutions.

Committee Recommendations

The Committee therefore recommends that -

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

to ensure compliance, reporting their findings to the Senate within 90 days

4. Non-Compliance with the Rights and the Privileges of Persons with Disabilities.

Out of 2,429 employees, only 22 are Persons Living with Disabilities, representing just 1% of the workforce-significantly below the 5% threshold recommended by Section 5(1)(e) of the Persons with Disabilities Act, 2025. Furthermore, among the 123 employees in senior management, only 2 are Persons Living with Disabilities. This indicates a potential under representation of Persons Living with Disabilities in governance and leadership roles within the County Executive.

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

Audit Issue

- i. Under representation of Persons Living with Disabilities in governance and leadership roles within the County Executive.

Management response.

The management responded that they affirm their commitment to promoting inclusivity and compliance with the Persons with Disabilities Act, 2003, and relevant provisions of the Constitution of Kenya, 2010. During previous recruitment cycles, the number of applicants who self-identified as Persons Living with Disabilities was notably low.

The Management has also been deliberate in giving equal opportunities to all qualified persons including persons with disability where in all vacancy advertisements, they are encouraged to apply.

There is however an improvement as the current number of staff who are persons with disabilities currently stand at 26 as of January, 2026.

Committee Observation

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Committee observes that the county executive has not complied with the constitutional principle in Article 54(2) requiring the State to ensure the progressive implementation of the five percent threshold for persons with disabilities in appointive bodies. While the commencement date of the Persons with Disabilities Act (No. 4 of 2025) is noted, the county has a continuing obligation under the Constitution to take affirmative action.

Committee Recommendation

The Committee recommends that the county executive complies with section 5(1)(e) of the Persons with Disabilities Act (No. 4 of 2025) and the principle espoused under Article 54(2) of the Constitution by taking deliberate and measurable steps to achieve the five percent representation.

5. Irregular Staff Recruitment

The County Executive recruited 43 officers in various positions. However, there was no approved staff establishment as prescribed by Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires every public entity to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their Strategic Plans. The hiring of the officers was also contrary to section B.3 (1) Public Service Commission Human Resource Policy, 2016 which states that an Authorized Officer shall declare all vacant posts to the Public Service Commission in accordance with the procedures set out in the Commission's regulations.

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

Audit issues

- i. lack of approved staff establishment as prescribed by Section B.2(1)
- ii. Failure to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their Strategic Plans.

DATE	
TABLED BY	
COMMITTEE	
AT THE TABLE	

Management response.

Prior to the recruitment of the forty-three (43) officers, the County Government undertook a comprehensive staff gap analysis based on service delivery requirements, workload assessment and functional needs across departments.

The outcome of this analysis identified critical capacity gaps that necessitated the recruitment of the said officers in order to support effective service delivery of County Government functions.

While the recruitment was informed by the staff gap analysis, Management notes that at the time, the County was in the process of preparing the approved staff establishment as prescribed under Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which was undergoing review and stakeholder engagements.

The County Executive has since finalized and the approved Staff Establishment developed through job analysis and aligned to the County's strategic objectives is now in place. Management commits that all future recruitment shall strictly adhere to the approved staff establishment and all vacant posts shall be declared through the County Public Service Board in accordance with the applicable regulations. The Human resource plan has been prepared and approved.

Committee Observation

The committee observes that while the county executive has now addressed the issue by developing and approving a staff establishment, the initial recruitment of 43 officers without an approved establishment was a contravention of Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

Committee Recommendation

The committee recommends that the matter be marked as resolved.

6. Casuals Engaged Beyond Stipulated Period.

The County engaged twenty (20) casual workers continuously for periods exceeding three (3) consecutive months and incurring Kshs.1,792,800. This is contrary to Section 37 of the Employment Act, 2007 which requires the employer to formalize the employment relationship and extend all the rights and benefits due under the law, including leave entitlements, notice period, and statutory deductions.

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

Audit Issue

- i. Engaging casual workers continuously for periods exceeding three (3) consecutive months.

Management response.

The process for absorbing casual workers into permanent and pensionable terms had started with the previous County Public Service Board through suitability test whose tenure in office lapsed. However, a new County Public Service Board has just assumed office and it is one of the priority areas that the management will request to be addressed.

Committee Observation

The Committee observes that engaging 20 casual workers for periods exceeding three consecutive months is a direct contravention of Section 37 of the Employment Act, Cap. 226. This practice denies the workers their rightful benefits and exposes the county to potential legal liability.

Committee Recommendation

The Committee recommends that the county executive immediately regularizes the employment of these workers in line with Section 37 of the Employment Act, Cap. 226, and ceases the practice of engaging casuals on a long-term basis.

7. Non-Compliance with Law on Fiscal Responsibility on Wage Bill

The statement of financial performance and as disclosed in Note 9 to the financial statements reflect employee costs of Kshs. 2,486,839,933 or 39% of the total Revenue of Kshs. 6,297,330,369. This exceeds the rate of 35% that is set out under Section 25(1b) of the Public Finance Management (County Government) Regulation, 2015.

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

Audit issues

- i. Exceeding the rate of 35% of revenue on wage bill

Management response.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The total Revenue of Kshs. 6,297,330,369 is the amount the management received from exchequer. Total revenue budgeted was Kshs 8,779,773,471, hence the County Expenditure on Wages and benefits translates to 28.32%, hence the County complies with the fiscal responsibility.

Committee Observation

The Committee observed that the wage bill for the county executive was above the threshold of 35% of total receipts contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

The Committee noted that the percentage of wage bill is calculated based on total revenue received by the county executive and not total budgeted revenue as wrongly perceived by the county executive.

The Committee further noted that high wage bill is a threat to the objects of devolution as provided for under Article 174(f) of the Constitution.

Committee Recommendation

The Committee recommends that—

1. the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;
2. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue;
3. the County Executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap;
4. Pursuant to the High Court orders in *Matindi v Salaries and Remuneration Commission & another* [2026] KEHC 755 (KLR), the Salaries and Remuneration Commission (SRC) is directed to submit to the Committee a detailed affidavit outlining time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio and collaborative measures being jointly implemented in conjunction with the County Governments.
5. The Office of the Auditor-General should continue monitoring and specifically reporting on the wage bill ratio in subsequent financial years.

8. Procurement of Office and General Supplies from Non-Prequalified Suppliers.

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services of Kshs.1,689,204,344 which includes office general supplies of Kshs.32,804,015 which further include Kshs.7,685,896 procured from suppliers who were not included in the approved framework agreement list of suppliers contrary to Regulation 106 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity is not required to advertise or invite quotations from persons not shortlisted under the framework agreement where a framework agreement has been entered into by the procuring entity.

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

Audit issue

- i. Procurement of general supplies from suppliers who were not included in the approved framework agreement list of suppliers

Management response.

The subject procurements were procured through open tendering and direct tendering before framework agreement came into effect. Procurement through request for quotation relates to pending bills file and whose suppliers were dully prequalified in the respective year of supply.

Committee Observation

The Committee observes that procuring goods worth Kshs. 7,685,896 from suppliers not on the approved framework agreement list is a contravention of Regulation 106(1) of the Public Procurement and Asset Disposal Regulations, 2020. The county's failure to provide evidence to substantiate its claim of open tendering further compounds the breach.

Committee Recommendations

The Committee recommends that—

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

days of the adoption of this report;

2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution; and
3. the county executive provides evidence that the procurements were conducted through open tender to the Auditor-General within sixty (60) days of the adoption of this report.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

Review of revenue records obtained from Level 4 and Level 5 health facilities in the County revealed that two (2) health facilities collected a total Kshs.236,054,105 towards the health facilities improvement which was transferred to the Country Revenue Fund. However, the Fund reimbursed a total of Kshs.234,811,127 to the health facilities resulting in a deficit of Kshs.1,242,978. In addition, the County Executive owes the two (2) health facilities an amount of Kshs.111,299,334 from prior years. This is contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account.

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

Audit issues

- i. Lack of reimbursement of Kshs.1,242,978 to the two (2) health facilities by the Fund.
- ii. Failure to reimburse amount of Kshs.111,299,334 from prior years to health facilities.

Management response.

The deficit reported in the FY 2024/2025 amounting to Kshs.1,242,978 is a result of delays in the reimbursement process from SHA. The funds were received in the facilities revenue account and were not transferred to any other account and therefore the funds are with the

generating facilities. These funds are carried forward to the subsequent year and are appropriated appropriately in the subsequent year budget and therefore no any breach of law.

The amount owed to health facilities amounting to Kshs.111,299,334, was as a result of implementation of FIF act 2023 from financial year 2024/2025 after ensuring necessary structures were in place. Since the year facilities have been retaining their monies as envisaged in the act. Prior to this, the facility was adhering to public financial management act 2012 which required all funds be deposited into the revenue account. The county would then do appropriation of the funds received as per the facilities' budgets.

Committee Observation

The Committee observes that transferring health facility revenue to the County Revenue Fund instead of retaining it in the Hospital Facilities Improvement Financing account was a contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023. While the funds have since been remitted, the initial action and the delay could have negatively impacted service delivery.

Committee Recommendation

The Committee recommends that—

- 1. the county executive fully complies with the Facilities Improvement Financing Act (Cap. 277) by ensuring all future health facility revenues are retained in the respective facility accounts as required by law; and**
- 2. the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

10. Irregular Payments of Insurance for Undelivered Motor Vehicles

The Statement of financial performance and as disclosed in Note 10 to the financial statements reflect use of goods and services of Kshs.1,689,204,344 which includes insurance cost of Kshs.157,554,605 which further include Kshs.437,406 paid as insurance premium for two (2) vehicles that were purchased in February 2025 but had not been delivered to the County and the log books of which had not been processed at the time of audit.

In the circumstances, value for money on the amount of Kshs.437,406 paid as insurance premium for two (2) vehicles may not have been received by the public.

Audit Issues

- i. Payment of insurance premium for two (2) vehicles that were purchased in February 2025 but had not been delivered to the County and the logbooks of which had not been processed at the time of audit.

Management response.

In line with public asset management and risk mitigation policies, it is the County Government's practice to ensure that all government motor vehicles are insured prior to delivery. This approach safeguards assets against potential loss or damage during transportation from the car yard to the county premises.

It is important to note that the vehicle registration process through the National Transport and Safety Authority (NTSA) typically takes time after physical delivery. This delay is due to procedures such as number plate issuance, roadworthiness certification, and logbook processing. Consequently, there are often delays or temporary unavailability of log- books.

This explains why the management was unable to provide them at the time of the audit. The two (2) vehicles have since been delivered.

Committee Observation

The committee observed that the county executive paid insurance premium for two (2) vehicles that were purchased in February 2025 but had not been delivered and the logbooks procured at the time of audit.

The Committee noted that the county executive indicated that it had received the vehicles and the delay in procuring log books for the vehicles was due to delays in processing by the National Transport and Safety Authority (NTSA).

Committee Recommendation

The committee recommends that—

1. the county executive facilitates the timely processing and submits the relevant log books to the Office of the Auditor-General within ninety (90) days of the adoption of this report; and
2. the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

11. Irregular Limits of Liability and Premiums Payments in Group Medical Scheme.

County Government Group Medical Scheme offered to Job group G-J inpatient limit of Kshs.1,750,000 instead of Kshs.1,000,000 set by SRC. Further, County optical cover for Job Group K to P of Kshs.30,000 instead of Kshs.25,000 and optical cover of Job Group R to T of Kshs.30,000 instead of Kshs.35,000 set by SRC. This contravenes the Salaries and Remuneration Commission Circular no SRC/TS/CGOVT/3/61 dated 19 December, 2014 by providing rates not set by the commission.

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

Audit issues

- i. Irregular Limits of Liability and Premiums Payments in Group Medical Scheme.

Management response.

During the financial year under review, Nyandarua County executive engaged two health insurance providers to provide medical cover for its staff namely:

1. NHIF Super cover for the period July 2024 to October 2024.
2. Madison insurance for the period from November 2024 to June 2025.

It is important to note that the NHIF comprehensive cover limits were as pre- negotiated between the now defunct National Hospital Insurance Fund and the National Treasury for both National and County Government employees and thus the rates could be in with SRC's medical cover limit as it was a government-to-Government arrangement.

The management confirms that currently, all employees are now under a medical cover that has adhered to the Salaries and Remuneration Commission Circular no SRC/TS/CGOVT/3/61 dated 19th December, 2014.

Committee Observation

The Committee observed that the county executive did not comply with the advisory contained in the Salaries and Remuneration Commission Circular no SRC/TS/CGOVT/3/61 dated 19th December, 2014 during the audit year but that the county executive is currently in compliance with the advisory.

Committee Recommendation

The Committee recommends that the county executive strictly complies with the advisory contained in the Salaries and Remuneration Commission Circular no. SRC/TS/CGOVT/3/61 dated 19th December, 2014, for all future medical schemes.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

12. Irregular Payment to Council of Governors

The statement financial performance and as disclosed in Note 10 reflects use of goods and services of Kshs.1,689,204,344 which includes other operating expenses of Kshs.454,853,639 which further include Kshs.2,000,000 paid to the Council of Governors. This is contrary to Section 37(b) of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the Council of Governors should be provided for in the annual estimates of the revenue and expenditure of the National Government.

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

Audit Issue

- i. Irregular Payment to the council of Governors.

Management response.

The amount relates to annual county subscription to the council of governors as agreed by the council.

Committee Observation

The Committee observes that the payment of Kshs. 2,000,000 to the Council of Governors (CoG) from the County Revenue Fund was unlawful. This is because Section 37(b) of the Intergovernmental Relations Act, 2012 stipulates that the operational expenses of the CoG are a charge on the National Government's Consolidated Fund, not county funds.

Committee Recommendation

The Committee recommends that—

1. the irregular payments to the Council of County Governors be stopped forthwith failure to which the County Governor, in his capacity as Chief

- Executive Officer, be surcharged for the illegal payments; and
2. the Ethics and Anti-corruption Commission investigates the irregular transfer of funds to the Council of County Governors with a view to recover the same from the County Governor.

13. Ineffective Management of Property, Plant and Equipment

The statement of financial position and as disclosed under Note 26 to financial statements reflects Kshs.1,560,955,311 for property, plant and equipment. However, during the audit the following issues were noted;

13.1 Lack of Logbooks.

The County owns two hundred and twelve (212) motor vehicles and one hundred and sixty-two (162) motorcycles. However, only ninety-three (93) logbooks for the motor vehicles and forty (40) for the motorcycles were made available. The remaining one hundred and nineteen (119) motor vehicle logbooks and one hundred and twenty-two (122) motorcycle logbooks were not provided.

In the circumstances, rights and obligations and existence of the entire fleet could not be confirmed.

Audit issue

- i. Failure to provide one hundred and nineteen (119) motor vehicle logbooks and one hundred and twenty-two (122) motorcycle logbooks

Management response.

Management has taken steps to process logbooks and currently has a total of 147 Motor vehicle logbooks and 53 logbooks for motorcycles. Management is following up with intergovernmental relations technical committee (IGRTC) for official transfer of the GK vehicles and motor cycles in question from the national government and the defunct local authorities.

Committee Observation

The Committee observes that the failure to provide logbooks for 119 motor vehicles and 122 motorcycles contravenes the public officer's duty to safeguard public assets under Section 153 of the PFM Act. Without logbooks, the county's ownership and right to use these assets cannot be confirmed.

Committee Recommendation

The Committee recommends that—

1. the county executive finalizes the acquisition of all logbooks for all its motor vehicles and motorcycles and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report; and
2. the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

13.2 Grounded Motor Vehicles.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The County has eighty (80) grounded motor vehicles out of the total fleet of two hundred and twelve (212) vehicles, and seventy-eight (78) grounded motorcycles out of one hundred and sixty-two (162) motorcycles. However, the records provided did not indicate the duration for which these vehicles and motorcycles have been grounded, nor did they outline any maintenance, disposal, or reactivation plans.

In the circumstances, valuation of these grounded vehicles could not be confirmed.

Audit issue

Failure to indicate the duration for which the vehicles and motorcycles have been grounded,

Management response.

The motor vehicles and motor cycles have been grounded for more than 10 years. The IGRTC has recommended disposal. The management appointed a county assets disposal committee and the process of disposing the obsolete assets will be done once the committee completes its task.

Committee Observation

The Committee observes that the failure to maintain, dispose of, or have a plan for 80 grounded vehicles and 78 motorcycles for over 10 years is poor asset management and constitutes wasteful expenditure as per Section 2 of the PFM Act, as the assets are depreciating without any utility.

Committee Recommendation

The Committee recommends that—

- 1. the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;**
- 2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution; and**
- 3. the county executive finalizes the disposal of the obsolete vehicles and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report.**

13.3 Lack of Asset Register

The County did not maintain an updated fixed asset register for its assets. The assets procured during the year were not recorded and not tagged for ease of identification.

In the circumstances, the existence and effectiveness of assets management could not be confirmed.

Audit Issue

- i. Lack of maintenance of an updated fixed asset.
- ii. Failure to register assets procured during the year and tagging for ease of identification.

Management response.

At the time of the audit the county had not fully updated the fixed assets register. We have since updated the register and all assets including those purchased in financial year 2024/25 are now recorded.

The process of tagging and digitizing the assets is ongoing and are being uploaded in the integrated financial management system (IFMIS).

The management has also established an asset management unit that is tasked with the exercise of digitizing and updating the register whenever a new asset is procured.

Committee Observation

The Committee observes that the failure to maintain an updated, tagged fixed asset

register is a breach of Regulation 136 of the PFM (County Governments) Regulations, 2015. This compromises the county's ability to safeguard its assets, prevents accurate financial reporting, and increases the risk of loss or theft.

Committee Recommendation

The Committee recommends that—

- 1) the county executive maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report; and**
- 2) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

13.4 Delay in Insurance Compensation.

The County lost 26 motor vehicles to fire during the Gen-Z demonstrations on 25 June, 2025 at the Ol Kalou Sub-County yard and at the District Officer's office. However, from the reviewed correspondence between management and the insurance companies, it was not clear how or when the County would be compensated for the loss.

In the circumstances, compensation for the loss of 26 motor vehicles could not be confirmed.

Audit Issue

- i. Delay in insurance compensation

Management response

The County Government has comprehensively insured all its motor vehicles, motorcycles, buildings, and related assets with Geminia Insurance Company. This aligns with prudent public asset management practices aimed at safeguarding county property against risks such as theft, fire, accidents, and other unforeseen losses.

Following the incident involving insured assets, a formal claim was submitted to Geminia Insurance Company on 26th and 27th June 2025, accompanied by all the requisite supporting documentation. However, after several correspondences, Geminia Insurance declined the claim, citing political motivations behind the incident. For reference, please find attached the letter dated 3rd July 2024.

In collaboration with the County Attorney, a response letter was issued to Geminia

Insurance, clarifying that the incident was not political in nature and requesting full compensation of KES 39 million, as outlined in the attached letter dated 24th July 2025.

Management Action Plan

- Following a prolonged period of inaction from Geminia Insurance, the County Government appointed KCB BancAssurance Intermediary Ltd on 5th August 2025 to follow up and liaise with the insurer on its behalf.
- On 11th September 2025, KCB BancAssurance Intermediary Ltd reported that, after a series of engagements and negotiations, Geminia Insurance Company had agreed to present a proposal for settling the claim.
- To ensure compliance with all legal and procedural requirements prior to accepting the settlement, the County Government sought a legal opinion from the County Attorney through a letter dated 16th September 2025. This legal guidance will inform the final decision and subsequent actions regarding the claim settlement process (attached correspondence refers).

The position of the County Government is that we will not accept that the incident was out of political violence but shall be open to discussion that would favor the county interests.

Committee Observation

The Committee noted the county executive lost 26 motor vehicles to fire during the *Gen-Z* demonstrations on 25th June, 2025 at the Ol Kalou Sub-County yard and at the District Officer's office and whereas it had claimed the loss with its insurance provider (Geminia Insurance), the provider had denied the claim citing political violence.

The Committee further notes that the county executive is still pursuing the claim and awaiting a counterproposal from the insurer.

Committee Recommendation

The Committee recommends that the county executive follows up with the insurance company and ensures that the insurer settles the claim for the 26 motor vehicles lost to fire and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report.

14. Delays in Project Implementation.

14.1 Proposed Construction of Medical Complex at JM Memorial County Referral Hospital.

The construction of the Medical Complex at JM Memorial County Referral Hospital project was awarded to a contractor at a contract sum of Kshs.1,468,740,156 for a contract period of one hundred and fifty-six (156) weeks commencing 7 July, 2021. The estimated completion date was 7 July, 2024 but was revised to 1 July, 2026 while the contract price was varied to Kshs.1,597,161,937 (increment of contract sum by 8.72%). The County Government entered into a termination agreement with the contractor on 4 August, 2025 to pave way for completion through the Department of Defense following a presidential directive. Physical verification conducted in October, 2025, revealed that minimal work was ongoing at the construction site.

In the circumstances, value for money may not be realized due to delayed completion of the project.

Audit issue

- i. Delay on proposed Construction of Medical Complex at JM Memorial County Referral Hospital.

Management Response.

The management responded that the information as captured was true and that the department entered into a termination contract with the contractor on 4th August, 2025. The period between the contract termination date and the date of verification, nothing much was happening because the Department of Defense was in the process of identifying the contractor to undertake the works. Procurement process has timelines to be adhered to including advertisement period, evaluation process, notification of tenderers and contract signing as per PPAD Act 2015. These were the activities that were happening between the two timelines. The contract was signed on 24th November, 2025 and the contractor is already on site and works has kicked off. The value for money will be achieved once the contract is complete.

Committee Observation

The Committee observed that there was inordinate delay in the finalization of the construction of the Medical Complex at JM Memorial County Referral Hospital by the county executive resulting in the value for money not being realized.

The Committee however notes that the matter has been taken up by the Ministry of Defence, tender awarded and works are underway.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Recommendation

The Committee recommends that—

- 1) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report; and**
- 2) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.2 Delayed Construction of Nyandarua County Headquarters at Ol Kalou

The construction of Nyandarua County Headquarters was awarded at a contract sum of Kshs.617,644,564 for a period of one hundred and four (104) weeks commencing 16 March, 2017 with an estimated completion date of 15 March, 2019. The completion date was revised to 30 June, 2019 and again to 30 June, 2021 and later to 31 December, 2022. In the Memorandum of Understanding (MOU) entered into with the State Department for Public Works in January, 2021, the County was to fund 30% of the cost of the project and National Government was to fund the balance of 70%. According to payment records, the County had made payments of Kshs.60,617,658 while the National Government had paid Kshs.279,218,554 which translates to total payments of Kshs.339,836,212 or 45% of the contract sum. Available information indicates that there was a variation order of Kshs.142,293,606 to the contract sum resulting to a revised contract sum of Kshs.756,938,171. However, the contract was mutually terminated on 14 October, 2022.

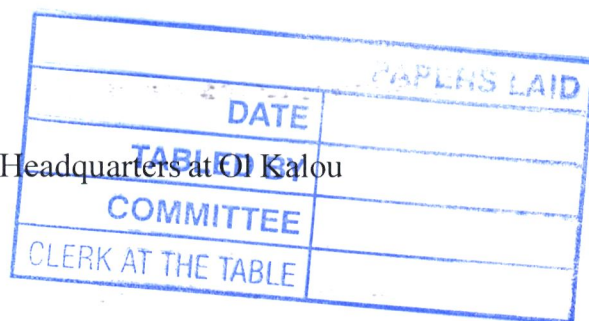
The County awarded the contract to another contractor on 29 May, 2023 for a contract sum of Kshs.449,097,569.78 for a period of one hundred and two (102) weeks commencing 9 June, 2023 and estimated completion date on 23 May, 2025. The contract was extended for a further 52 weeks with a new completion date on 22 May, 2026. A project brief dated 2 September, 2025 and audit verification done in October, 2025 revealed reduced progress of works within the period, further making the expected completion date doubtful.

In the circumstances, the value for money for expenditure of Kshs.339,836,212 so far incurred could not be confirmed.

Audit issue

- i. Delayed Construction of Nyandarua County Headquarters at Ol Kalou

Management response.



In the Memorandum of Understanding (MOU) entered into with the State Department for Public Works in January, 2021, the County was to contribute 30% of the cost of the project and National Government was to contribute 70% of the cost. In 8th April, 2024 an Intergovernmental Agreement between National Government through the Ministry of Lands, Public Works, Housing and Urban Development and the County Government of Nyandarua in respect of the handing over of the county headquarter project was signed.

In June 2024, the management function for the project was transferred to the County Government of Nyandarua (CGN), from State Department for Public Works through the Deed of Assignment signed between the two entities.

The obligation of The National Treasury in the Intergovernmental Agreement was to transfer the conditional grant to the County government upon receipt of written instructions from the Accounting Officer of the State Department.

The County Government of Nyandarua was to open a Special Purpose Account at the National Bank of Kenya for the conditional grant allocation. The account was opened as confirmed by Central Bank of Kenya letter dated 10th June 2024 following a request by the County Government via a letter dated 5th June 2024.

Written instruction to the National Treasury by State Department dated 5th July 2024 was made requesting transfer of the available conditional grant balance for the construction of the building for FY 2023/24 as at 30th June 2024 amounting to KShs. 98,802,945.00.

The amount has not been transferred to date. Further, there was no conditional grant allocation made in the 2024/25 financial year resulting to slowed project completion as the County Government budgetary allocation has not been adequate.

Several engagements with National Treasury have been undertaken to try and have the funds allocated for completion of the project. To date in the current contract, no variation order has been issued.

Committee Observations

The Committee observed that the county executive has had an inordinate delay in the completion of the construction of Nyandarua County Headquarters resulting in the value for money not being realized.

The Committee notes that the delay in completion of the project is partly due to delay by the National Government to provide its portion of the financing for the construction.

The Committee however notes that the County Governments Additional Allocations (No. 2) Act (No. 28 of 2025) allocates Kshs. 120,000,000 to the county government as a supplement for the construction of county headquarters for the current financial year and that would contribute to the completion of the project.

Committee Recommendations

The Committee recommends that—

- 1) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**
- 2) the National Treasury provides the balance of all funds promised to the county government for the construction of county headquarters to facilitate the timely completion of the project and realize value for money already expended;**
- 3) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.3 Stalled Construction of County Aggregation and Industrial Parks

The Management entered into contract to construct the County Aggregation and Industrial Parks (CIAP) at Njabini Agricultural Training College (ATC) on 04 October, 2023 at a contract sum of Kshs.464,360,410 with a contract period of twenty-eight (28) weeks commencing on 29 January, 2024 up to 11 August,2024.

The County Executive was to fund 50% of the cost of the project and National Government was to fund the balance of 50%. The County had so far made payments of Kshs.47,026,100 while the National Government had paid zero amounts. This translates to total payments of Kshs.47,026,100 or 10.13% of the contract sum, for 17% of the work completed and time elapsed was 70 weeks or 250% of the completion period.

Physical verification of the project carried out in the month of May, 2025 revealed that the project stalled at substructure works level (back filling and making up, hardcore filling and compaction, anti-termite treatment and reinforcement work level) at

aggregation warehouses and cold storage level and substructure works level (blinding, reinforcement, form-work fixing and concreting to foundation footing and column base level) at value addition warehouses level.

Further, the contractor was not on site and there was no evidence that he requested and obtained an extension of project contract time after the previous extension 13.

Audit issue

- i. Stalled Construction of County Aggregation and Industrial Parks

Management response.

The Department of Trade, Industrialization, Cooperative Development and Partnership acknowledges the audit observation regarding delays and stalling of the County Aggregation and Industrial Park (CAIP) project at Njabini Agricultural Training College. While approximately 17% of the works have been certified as completed, cumulative payments to date amount to Kshs. 56,653,307.20. It is noted that no disbursement has been received from the National Government, and all payments made to date were financed from the County's counterpart contribution. The partial and delayed release of project funds significantly constrained cash flow, leading to slowed progress and eventual stalling of works. The level of work achieved corresponds strictly with the certified works paid for to date, and there are no outstanding payment obligations to the contractor.

With regard to contract extension, the contractor formally initiated a request for extension of time vide a letter dated 28th November 2024, seeking an extension of one (1) year. Following review and recommendation by the CAIP Implementation Committee, the County issued a response vide letter dated 6th December 2024 (Ref. NYA/CG/TCTI/PT/001/2023/24) communicating its intention to grant an extension covering the period 1st January 2025 to 30th December 2026, subject to fulfillment of stipulated contractual conditions. These conditions included renewal of the performance bond, renewal of insurance covers, and submission of written acceptance of the extension terms.

Despite several follow-up engagements, including site meetings as evidenced by the attached minutes, the contractor has not submitted written acceptance of the extension nor complied with the stated conditions, resulting in the contract extension not being formally effected.

In view of the foregoing, Management clarifies that the delays in implementation of the CAIP project were primarily occasioned by National Government financing constraints and outstanding contractor compliance issues,

PAPERS LAIN	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

rather than deficiencies in procurement processes or contract administration by the County Government.

The County Government remains committed to completion of the CAIP project and will proceed once funding constraints are resolved and contractual compliance requirements are met.

Committee Observations

- 1) The Committee observed that the county executive has had an inordinate delay in the completion of the construct the County Aggregation and Industrial Parks (CIAP) project at Njabini Agricultural Training College (ATC) resulting in the value for money not being realized.
- 2) The Committee notes that the delay in completion of the project is partly due to delay by the National Government to provide its portion of the financing for the construction.
- 3) The Committee however notes that the County Governments Additional Allocations (No. 2) Act (No. 28 of 2025) allocates Kshs. 250,000,000 to the county government for the construction of County Aggregation and Industrial Parks (CIAP) project for the current financial year and that would contribute to the completion of the project subject to the county executive availing the remainder of its share for the project.

Committee Recommendations

The Committee recommends that—

- 1) **The Committee recommends that, in order to achieve the primary objective of the County Agro-Industrial Project (CAIP) which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development;**
- 2) **the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**

- 3) the National Treasury the balance of all funds promised to the county government for the project is released to the county executive in a timely manner to facilitate the timely completion of the project and realize value for money already expended;
- 4) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

14.4 Proposed Construction and completion of Pharmacy and Laboratory at Manunga Health Centre.

Management entered into a contract for the proposed construction and completion of pharmacy and laboratory unit at Manunga health center at a contract price sum of Kshs.8,074,615. The project commenced on 6 May, 2024 with a contract period of 53 weeks to be completed on 6 May, 2025.

As at the time of audit in June, 2025, after the lapse of the project completion period, only first interim payment of Kshs.2,007,000 dated 31 January, 20 25 had been made. The project was incomplete and stalled at foundation level. No revised completion date and approval for project extension were availed for audit review.

Audit issue

- i. Incomplete and stalled of Pharmacy and Laboratory at Manunga Health Centre at foundation level.
- ii. No revised completion date and approval for project extension were availed for audit review.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management response.

The Department took the responsibility of carrying out a construction of a pharmacy and laboratory at Manunga Health Centre with a contract sum of Kshs 8,074,615. The project commenced on 6th may 2024 with a contract period of 53 weeks to be completed on 6th may 2025. The project file was missing the revised completion dates.

This project was approved by the County Executive Committee to be carried out on multi-year financing arrangement and as a result was allocated inadequate funds to complete the project. The project manager on the other hand gives timelines on the probable time that can be taken by the contractor to complete the project where

resources are adequately available. The project manager provides provisions for extension of execution period. The contractor is meant to initiate the request to the project manager for approval. As the time of the audit the approval for extension was not provided, however, it was being followed up from the project manager, and has since been issued. In support we have attached the cabinet approval to carry out the project in multi-year financing arrangement and also the copy of the contract extension letter.

Committee Observation

The Committee observed that the county executive embarked on the construction of a pharmacy and laboratory at Manunga Health Centre to be completed on 6th May, 2025 but the contract period was extended by the county executive committee.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;**
- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;**
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**
- 4) the county executive ensures that the project is finalized within the extended timelines as approved by the county executive committee; and**
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.5 Proposed Construction and Completion of a Radiology Unit at Bamboo Health Centre

Management entered into a contract for proposed construction and completion of pharmacy and laboratory unit at Bamboo health Centre at a contract price sum of Kshs.11,496,972. The project commenced on 6 May, 2024 with a contract period of 53 weeks to be completed on 6 May, 2025.

As at the time of audit in June, 2025, after the lapse of the project completion period, only the first interim payment of Kshs.2,395,215 dated 31 January, 2025 had been made. Physical verification in the month of May, 2025 revealed that the project was incomplete and stalled at foundation level and the contractor was not on site.

No revised completion date and approval for project extension were availed for audit review. Further, the performance security for the project lapsed on 15 May, 2025 and no evidence was provided for its renewal.

Audit issues

- i. Incomplete and stalled of a Radiology Unit at Bamboo Health Centre at foundation level and the contractor was not on site.
- ii. No revised completion date and approval for project extension were availed
- iii. Performance security for the project lapsed on 15 May, 2025 and no evidence was provided for its renewal.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management response.

The department took the responsibility of carrying out a construction of a radiology at Bamboo Health Centre with a contract sum of kshs 11,496,972. The project commenced on 6th may 2024 with a contract period of 53 weeks to be completed on 6th May 2025. The project file was missing the revised completion dates.

This project was approved by the County Executive Committee to be carried out on multi-year financing arrangement and as a result was allocated inadequate funds to complete the project. The Project Manager on the other hand gives timelines on the probable time that can be taken by the contractor to complete the project where resources are adequately available. The Project Manager provides provisions for extension of execution period. The contractor is meant to initiate the request to the project manager for approval. As the time of the audit the approval for extension was not provided, however, it was being followed up from the project manager, and has since been issued. In support we have attached the cabinet approval to carry out the project in multi-year financing arrangement and also a copy of the extension letter.

Committee Observation

The Committee observed that the county executive embarked on the construction of a pharmacy and laboratory unit at Bamboo health Centre to be completed on 6th May, 2025 but the contract period was extended by the county executive committee.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;**
- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;**
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**
- 4) the county executive ensures that the project is finalized within the extended timelines as approved by the county executive committee; and**
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.6 Proposed Construction and Completion of Chamuka Dispensary.

Management entered into a contract for proposed construction and completion of Chamuka Dispensary on 15 May 2024 for the contract price sum of Kshs.28,342,801. The project commenced on 29 May, 2024 with a contract period of 52 weeks to be completed on 27 May, 2025.

As at the time of audit in June, 2025, after the lapse of the project completion period, two payment certificates totaling Kshs.15,000,000 had been made. However, the project was incomplete with structure completed and roofed but finishing was not yet done.

No revised completion date and approval for project extension were availed for audit review. Further, the performance security for the project was not provided. Physical verification done in the month of May, 2025 revealed that the project has stalled and contractor was not on site.

Audit issue

- i. incomplete with structure completed and roofed but finishing was not yet done.
- ii. No revised completion date and approval for project extension were availed the
- iii. performance security for the project was not provided. Physical verification done in the month of May, 2025 revealed that the project has stalled and contractor was not on site

Management response.

The Department took the responsibility of carrying out a construction of a maternity at Chamuka Dispensary with a contract sum of Kshs 28,342,801. The project commenced on 29th May 2024 with a contract period of 52 weeks to be completed on 27th May 2025. The project file was missing the revised completion dates.

This project was approved by the County Executive Committee to be carried out on multi-year financing arrangement and as a result was allocated inadequate funds to complete the project. The project manager on the other hand gives timelines on the probable time that can be taken by the contractor to complete the project where resources are adequately available. The project manager provides provisions for extension of execution period. The contractor is meant to initiate the request to the project manager for approval. As the time of the audit the approval for extension was not provided, however, it was being followed up from the project manager and the extension period letter has since been issued. In support we have attached the cabinet approval to carry out the project in multi-year financing arrangement and also a copy of the period extension letter.

Committee Observation

The Committee observed that the county executive embarked on the construction of a maternity at Chamuka Dispensary to be completed on 27th May, 2025 but the contract period was extended by the county executive committee.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
IN AT THE TABLE	

in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;

- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;
- 4) the county executive ensures that the project is finalized within the extended timelines as approved by the county executive committee; and
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

14.7 Construction of Governor's Official Residence

A contract for construction of the Governor's residence at a contract sum of Kshs.43,415,636 was awarded on 18 April, 2024. The contract period was thirty-two (32) weeks with expected completion date of 24 December, 2024.

Physical verification conducted in the month of May, 2025 revealed that the project has stalled and the contractor is not on site. No revised completion date and approval for project extension were availed for audit review.

In the circumstances, the public may not get value for money for the stalled projects.

Audit issue

- i. project has stalled and the contractor is not on site
- ii. No revised completion date and approval for project extension were availed.

Management response.

Construction of Governor's residence was earmarked to be done in 3 phases at a cost of

Ksh. 43,408,267 as contract sum. However, due to resources constraints, the county government allocates Ksh 15 million per financial year. Two phases have been done and the last phase expected to completed in the 2025/26 FY.

The first extension of the contract was done to March 2025 and a second extension done to September 2025. The contractor due to lack funds in the budget has been slow in execution of the works. However, an allocation of 15 million has been provided for in the proposed 2025-2026 budget.

Committee Observation

The Committee observed that the county executive embarked on the construction of a maternity at Chamuka Dispensary to be completed on 24th December, 2024 but the contract period was reviewed to be undertaken in phases ostensibly due to resource constraints.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;**
- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;**
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**
- 4) the county executive ensures that the project is finalized within the extended timelines to ensure the realization of value for money; and**
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

15. Outstanding Legal Fees

The statement financial performance and as disclosed in Note 10 to financial statements

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

reflects use of goods and services of Kshs.1,689,204,344 which includes other operating expenses of Kshs.454,853,639, which further include Kshs15,861,118 owed to various law firms for services rendered.

In the circumstances, delayed settlement of the fee notes exposes the County to fines, penalties, interest and further legal suits. The county might incur nugatory expenditure which could have been avoided had the County Executive honored their obligations.

Audit Issue

- i. Outstanding legal fees.

Management response.

The Office of the County Attorney (OCA) acknowledges the audit observation relating to outstanding legal fees amounting to Kshs. 15,861,118 due to various law firms for services duly rendered. The OCA confirms that all requisite processes were undertaken in accordance with the law, including proper procurement where applicable, verification and certification of fee notes, and initiation of payment within the approved budgetary provisions for the financial year. Out of the outstanding amount the County treasury has requisitioned Ksh 2,275,000 to partly pay the amount. The rest will be paid before the close of the financial year.

Committee Observation

The committee observes that the delayed settlement of legal fees (Kshs.15,861,118) and court awards (Kshs.25,286,532) exposes the County to avoidable accrual of interest, penalties, and further litigation, which constitutes wasteful expenditure as defined in the PFM Act. This undermines the rule of law and public confidence in the county government.

Committee Recommendations

1. the County Executive makes a provision in its budget for contingency liability in respect of legal fees pursuant to paragraph 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015; and
2. the County Executive prioritizes the settlement of court awards to comply with judicial orders and avoid further legal costs, in line with the principle of the rule of law under Article 10 of the Constitution.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

16. Failure to Pay Court Awards

The County Government was ordered to pay by the Employment and Labour Relations Court of Kenya at Nakuru a total of Kshs.25,286,532. to three petitioners as compensation and damages for unlawful termination on 26 October, 2021. However, as at the time of audit in October, 2025, the County had not complied with the court order exposing the County to extra costs in form of fines and penalties and further litigation.

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

Audit issue

- i. Failure to comply with the court order to pay court awards

Management response.

The County Government acknowledges the court judgement delivered on 26th October, 2021 in Nakuru ELRC Petition No. 14/2019, awarding compensation totaling Kes. 25,286,532.00 to the three petitioners. Out of the outstanding amount the County treasury has requisitioned Ksh 12,081,067 to partly pay the amount. The rest will be paid before the close of the financial year.

Committee Observations

- 1) The Committee observed that the County Government failed to fully comply with a binding court order issued more than four years earlier, despite the clear legal obligation to settle the awarded compensation and damages of Kshs. 25,286,532. This prolonged non-compliance has unnecessarily exposed the County to additional financial risks in the form of accruing fines, penalties, interest and potential further litigation
- 2) The Committee further observed that, while the County Executive has requisitioned a partial amount of Kshs. 12,081,067, the balance of Kshs. 13,205,465 remains unpaid.

Committee Recommendations

1. The County Executive settles the outstanding balance of the court award in full and provides documentary evidence of complete payment (including bank transfer confirmations, receipts, and acknowledgment by the petitioners) to the Office of the Auditor General and to the Senate within

ninety 960) days from the date of adoption of this Report.

2. **Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.**

17. Irregularities in Planning and Budgeting

17.1 Lack of Citizen Participation in Planning and Budgeting.

Review of the budget-making process revealed that the County was not in compliance with Articles 201 and 232(1)(d) of the Constitution of Kenya, 2010 for failure to follow the guidelines in effective public participation. Further, Management failed to develop criteria to be used in identifying the stakeholders that would participate in the budget process.

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

Audit issue

- i. failure to follow the guidelines in effective public participation
- ii. failure to develop criteria to be used in identifying the stakeholders that would participate in the budget process.

Management response.

The County conducted public participation for the entire budget cycle in line with Section 125(2) of the Public Finance Management Act 2012 and Article 201 (a) of the Constitution of Kenya, 2010, and other applicable laws and guidelines.

Further, the County has a Public Participation Act 2016, which guides and informs the process. The County is further guided by other established mechanisms such as the County Public Participation guidelines developed by the Ministry of Devolution and Council of Governors in 2016.

Committee Observation

The Committee observes that the failure to facilitate effective public participation in the budget process is a violation of Articles 201(a) and 232(1)(d) of the Constitution. Public participation is a national value and principle of governance that is binding on all State organs.

Committee Recommendation

The Committee recommends that the county executive develops and implements clear, published criteria for public participation in the budget process, as required by Section 7 of the PFM (County Governments) Regulations, 2015, to ensure compliance with the Constitution.

17.2 Non-Compliance with Budgetary Limits and Reporting Requirements

The approved revenue budget for the County Government (County Executive and Assembly) amounted to Kshs.9,652,691,719. Included in the budget amount is Kshs.872,918,248 for the County Assembly Budget. The approved budget for the County Assembly translates to 9.04% of the total County Government Revenue exceeding the fiscal limit by 2.04% as set under Regulation Section 25(1)(f) of the Public Finance Management (County Governments), Regulations, 2015.

Further, the County Executive Committee Member for Finance did not submit a responsibility statement to County Assembly explaining the reasons for the deviation and providing a plan on how to ensure annual actual expenditure out turns as well as medium term allocation comply with the provisions of Section 107(2)(a) of the Act and the regulations in the subsequent years as required by Regulation 25(1)(h).

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

Audit issue

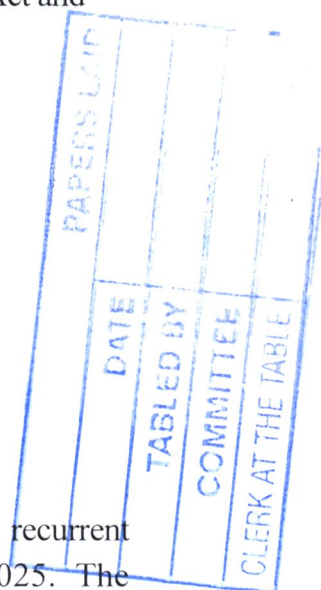
- i. Approved County assembly budget exceeding the fiscal limit by 2.04 %
- ii. lack of submission of a responsibility statement to County Assembly.

Management response.

Management noted the audit finding. However, the County Assembly recurrent ceiling consisted of Kshs. 706,936,676 in line with Amended CARA 2025. The difference consists of non-ceiling items i.e, Mortgage and Development expenditure. Also, County Executive Committee Member for Finance did submit the responsibility statement to County Assembly.

Committee Observation

The Committee observes that the County Assembly's budget exceeded the 7% fiscal limit set by Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015. This contravenes the fiscal responsibility principles designed to ensure prudent use of public resources.



Committee Recommendation

The Committee recommends that the County Assembly adheres to the fiscal limit of 7% of the county's total revenue as set out in Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015, and that the County Executive Committee Member for Finance submits the requisite responsibility statement for any deviation in the future.

17.3 Non-Compliance with Debt-to-Revenue Ratio Limits

The approved revenue budget for the County Executive for the year under review amounted to Kshs.8,779,773,471 against certified pending accounts payable of Kshs.2,965,410,323. This resulted to thirty-four (34) percent of the County Government's total revenue. The amount exceeds the required sets limit of Twenty (20) percent contrary to Public Finance management (County Government) Regulation 2015 Regulation 25(1)(d).

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

Audit issue

- i. Exceeds the Debt-to-Revenue Ratio Limits contrary to Public Finance management.

Management response.

Under IPSAS accrual the declared payables amounting to Ksh 2,965,410,323 includes payments that were cleared/paid in July 2025 amounting to Kshs 1,638,196,922. Therefore, actual pending bills recomputed amounts to Kshs. 1,327,213,401 hence debt to revenue ratio is 15%.

Committee Observation

The Committee observes that the county's pending bills to revenue ratio of 34% (before adjustment) exceeded the 20% limit set by Regulation 25(1)(d) of the PFM (County Governments) Regulations, 2015, indicating a high risk of default and unsustainable financial practices. The Committee notes the management's explanation regarding July payments.

Committee Recommendation

The Committee recommends that the county executive strictly adheres to the debt-to-revenue ratio limits prescribed in Regulation 25(1)(d) of the PFM (County Governments) Regulations, 2015, to ensure fiscal sustainability.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Lack of an Off-site Data Recovery Centre

The County Executive does not have an offsite data recovery Centre to facilitate secure back up and retrieval of data in the event of unforeseen occurrences.

In the circumstances, the lack of an offsite data recovery system may adversely affect the optimal performance of the county executive should a disaster arise.

Audit issue

- i. Lack of an offsite data recovery center to facilitate secure back up and retrieval of data.

Management response.

The management responded that they have four backup locations spread in different offices but all within the County. Data from one office is backed up in a different office twice a week. The backup servers are located at four backup sites within the County. The County has an automated backup solution using Veeam Software that allows continuous backup to the identified backup locations eliminating the need for user intervention during backups ensuring timely backups. The County contacted ICT Authority back in 2023 for provision of offsite backup. The virtual storage server was created back in 2023 but the credentials were not shared with the County then. The virtual offsite backup server credentials have been shared and now the County has an offsite backup with ICT Authority. (The County is also in the processing of acquiring an offsite backup from Konza Technopolis Development Authority to be used for offsite back up. The County didn't have a lot of data as most of the processes were being done manually hence wasn't economical to have offsite back up. The County domain, emails and County systems like bursary, prequalification, revenue system, health management system is hosted on the cloud hence their data is in the cloud with a local backup.

Committee Observation

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The committee observes that the lack of an off-site data recovery centre is a significant weakness in the county's risk management and internal controls as required by Section 158 of the PFM (County Governments) Regulations, 2015. It exposes critical financial and operational data to loss in the event of a disaster.

Committee Recommendation

The committee recommends that the County Executive finalizes the process of securing and operationalizing an off-site data backup facility, as it has indicated is in progress, and provides evidence of the same to the Auditor-General within 60 days of adoption of this report.

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Basis for Qualified Opinion

1. **Unsupported Revenue from Exchange and Non-Exchange Own Source Revenue**

The Statement of financial performance and as disclosed in Note 10 and Note 11 reflects non-exchange own source revenue and exchange own source revenue amounts of Kshs. 284,749,168 and Kshs. 81,203,386 respectively. The relevant supporting documentation such as receipt vouchers, detailed revenue schedules, system-generated revenue reports, or bank statements were not provided for audit review.

In the circumstances, the source, accuracy and completeness of the reported revenue amounting to Kshs.365,952,554 from the two sources of revenue could not be confirmed.

Management Response.

The reported revenue amounting to Kshs.365,952,554 as reported by CRF includes all swipes from RoR into CRF in the financial year amounting to 363,790,714 and Ksh 2,161,840 that was RoR bank balance and was carried as a receivable from RoR.

However, the following issues were encountered at the time of Audit;

System challenges – The revenue system at the point of audit (BSK technologies) failed hence system-generated revenue reports could not be retrieved. Management has since adopted a new revenue collection system which more reliable.

Annex. 1a – Contract agreement between County Government of Nyandarua and Konza Technopolis.

Lack of adequate capacity- Upon investigations management noted that the then designated receiver of revenue lacked adequate capacity to run RoR fund. This led to non-provision of key accounting documents including receipt vouchers, detailed revenue schedules and bank statements. Management has since appointed a new receiver of revenue to run the fund.

Committee Observations

- 1) the Accounting Officer failed to avail relevant supporting documentation, including receipt vouchers, detailed revenue schedules, system-generated revenue reports, or bank statements, for audit review.
- 2) The Committee noted that the management has since migrated to a new, more reliable revenue collection system and appointed a new Receiver of Revenue to address these gaps.

Committee Recommendations

1. The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General and the Senate within sixty (90) days of the adoption of this report.
2. The new revenue collection system be fully operationalised, tested, and integrated with IFMIS to guarantee real-time generation of reliable revenue reports.

2. Variance in Revenue Reported under County Revenue Fund and Receiver of Revenue

The statement of financial performance and as disclosed in Note 10 and Note 11 reflect

non-exchange own source revenue and exchange own source revenue amounts of Kshs. 284,749,168 and Kshs. 81,203,386 respectively. However, the Receiver of Revenue (ROR) reported a figure of Kshs. 297,634,898 for non-exchange transactions – own source revenue and Kshs. 101,539,576 for revenue from exchange transactions – own source revenue, resulting variances of Kshs. 12,885,730 and Kshs. 20,336,190 respectively between the two Funds. No reconciliations were provided to explain the variances.

In the circumstances, the accuracy and completeness of the revenue amount of Kshs.365,952,554 reported in the CRF account could not be confirmed.

Management Response

The management noted the audit findings. Since they are under accrual basis of accounting, revenue is recognized as realized and unrealized. The Kshs.365,952,554 is the amount Disbursed by Receiver of Revenue (ROR) to County Revenue Fund (CRF) as realized revenue while Kshs.399,174,474 is the total revenue reported by Receiver of Revenue (ROR) as realized and unrealized. The variance of Kshs. 33,221,920 was due unrealized revenue under land and plot rates arrears as recorded as by Receiver of Revenue (ROR).

Committee Observation

The Committee observed that no reconciliations, or supporting schedules were provided by the Accounting Officer or the Receiver of Revenue to account for the discrepancies.

Committee Recommendations

- 1. The Accounting Officer ensures that all future financial statements are prepared on the basis of fully reconciled revenue figures between the County Revenue Fund and the Receiver of Revenue, and that any variances are fully disclosed in the notes to the accounts together with supporting explanations.**
- 2. The County Treasury and Receiver of Revenue establish and implement monthly reconciliation procedures between the County Revenue Fund and the Receiver of Revenue accounts, with signed reconciliation statements retained as part of the accounting records. These procedures shall be incorporated into**

COPIES LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

the County's financial regulations and IFMIS/Revenue Management System workflows.

3. Variance in Receivables Disclosed Under County Revenue Fund and Payables Disclosed Under Receiver of Revenue.

The statement of financial position and as disclosed in Note 16 to financial statements reflects receivables from non-exchange transactions balance of Kshs.373,338,426 which included Kshs.2,161,840, disclosed in Note 19 as balances in the revenue collection account which differs with the amount reflected in the financial statements of Receiver of Revenue as payables due to CRF amounting to Kshs. 72,305,630 resulting to unreconciled and unexplained variance of Kshs. 70,143,790 between the two sets of records.

In the circumstances the accuracy and completeness of receivables from non-exchange transactions balance to Kshs.373,338,426 could not be confirmed.

Management Response.

The County Revenue Fund financial statement was prepared under accrual basis of accounting. The balance of Kshs.2,161,840 was the only amount due from Receiver of Revenue being the ROR bank balance as at 30th June 2025.

Committee Observations

- 1) the Committee observed that Management did not provide adequate reconciliation or supporting documentation to explain the significant variance between the receivables reported in the CRF and the payables reported by the Receiver of Revenue.
- 2) the Committee further noted a material inconsistency between the County Revenue Fund (CRF) records and those of the Receiver of Revenue (RoR). Whereas the CRF reflects a receivable balance of Kshs. 2,161,840 from the Receiver of Revenue, the financial statements of the Receiver of Revenue indicate payables due to the CRF amounting to Kshs. 72,305,630, resulting in an unexplained and

unreconciled variance of Kshs. 70,143,790.

Committee Recommendations

The County Executive Committee Member for Finance must enforce a strict monthly reconciliation between the CRF and the Receiver of Revenue. This is to ensure that all collected revenues are promptly deposited into the County Revenue Fund, as required by Section 109(2) of the PFM Act.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

4. Unreconciled Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 18 to financial statements reflects account payables of Kshs.1,646,579,968 which relates to payable that are due to county executive. However, the amount differs with receivables from non-exchange transaction balance of Kshs.1,627,082,389 as disclosed in notes 23 of the county executive's financial statement, resulting to unreconciled variance of Kshs.19,497,579.

In the circumstances, the accuracy and completeness of receivables from non-exchange transaction of Kshs.1,627,082,389 could not be confirmed.

Management response.

Management noted the audit finding.

The County Executive financial statements were prepared using the IPSAS accrual accounting framework that requires recognition of all receivables. However, the County revenue fund serves the County executive, County Assembly and other County Entities such as FLLOCA, KDSP, KISIP, Municipalities that have special purpose accounts and prepare separate financial statements.

Since County Revenue Fund receives funds for many entities thus payables in CRF relates to all entities and not just the County executive. And in this case, the variance of Ksh19,497,579 between receivables reported by the County Executive and Payables reported by CRF relates to payables to FLLOCA fund by CRF since FLLOCA fund is a self-reporting entity.

Committee Observation

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

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget actual amounts reflects actual transfers from other government agencies amount of Kshs. 78,019,732 on comparable basis against a final budgeted balance of Kshs. 1,510,749,804. However, the Fund received conditional grants amounting to Kshs. 371,176,586

budgeted for in financial year 2024/25 after the closure of the financial year but reported in financial performance in financial year 2024/25 under accrual basis representing 70% revenue shortfall. Similarly, Kshs. 363,790,714 was received as own source revenue against a budgeted balance of Kshs.600,000,000.00 also representing a shortfall of about 39%.

The under collection of the budget may have negatively affected the service delivery to the residents of Nyandarua County.

Audit issue one.

Conditional grants Short fall by 70%

Management response.

The short fall is attributed to:

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Statement of comparison of budget actual amount is prepared under cash basis and only Ksh 78,019,732 had been received and reported as at 30th June 2025. Conditional grants amounting to Ksh 371,176,586 budgeted for in financial year 2024/ 25 were released after the closure of the financial year but was reported in financial performance for Fy 2024-25 under accrual basis while a balance of Kshs 1,061,553,486 was not honored in the year under review.

Date	Trn Ref	Amount	Source
10-Jul-25	FT25191TFJLS	5,630,625.00	DANIDA
17-Jul-25	FT2519828XGF	9,275,840.00	FLOOCA
4-Jul-25	FT25185QHNXM	32,309,300.00	KUSP
4-Jul-25	FT2518534RZ2	41,960,821.00	NAVCDP
8-Jul-25	FT25189BP4TL	132,000,000.00	KISIP
4-Jul-25	FT25185913X6	150,000,000.00	KISIP
		371,176,586	

Description	Amount
Fertilizer Subsidy Programme	121,624,039
Livestock Value Chains Support Project	135,210,000
Transfer of Library Services	2,865,209
Road Maintenance Levy Fund	(78,019,732)
Community Health Promoters Project	41,610,000
Conditional Grants from Development Partners	-
IDA (World Bank) - National Agriculture Value Chain Development Project (NAVCDP)	109,554,331
Sweden- Kenya Agricultural Business Development Project (KABDP)	10,918,919
DANIDA - Primary Health Care in Devolved Context	1,876,875
World Bank -Kenya Informal Settlement Improvement Project- KISIP II	6,462,533
World Bank- Financing Locally Led Climate Action Program (FLLOCA)- County Climate Resilience Investment Grant	126,724,160
Kenya Development Support Program Level 2	37,500,000
IDA (World Bank Credit) Kenya Urban Support Project (KUSP)-Urban Institutional Grant (IUG)	2,690,700

IDA (World Bank Credit) Kenya Urban Support Project (KUSP)-Urban Development Grant(UDG)	36,556,578
Balances brought forward	-
Road Maintenance Levy Fund	368,641
Kenya Devolution Support Programme	92,194,904
DANIDA - Primary Health Care in Devolved Context	174,752

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

IDA (World Bank) - National Agriculture Value Chain Development Project (NAVCDP)	16,492,713
Nyandarua County Climate Change Fund	148,773,385
Nyandarua County Aggregation & Industrial Park	14,473,900
Unrealized Conditional Grants - 2023/24 FY	-
Livestock Value Chains Support Project	135,204,000
Transfer of Library Services	5,730,418
IDA (World Bank) - National Agriculture Value Chain Development Project (NAVCDP)	67,543
World Bank Grant for Climate Smart Agriculture Project (KCSAP)	90,000,000
Sweden- Agricultural Sector Development Support Programme (ASDSP) Level II	2,499,617
Total	1,061,553,486

Audit issue two.

Short fall of own source revenue by 39%.

Management response.

The short fall of own source revenue is attributed to harsh economic realities leading to reduced own source revenue.

Committee Observation

The Committee observed that;

- 1) the county entities did not receive exchequer releases from the National Treasury on time.
- 2) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
- 3) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendations

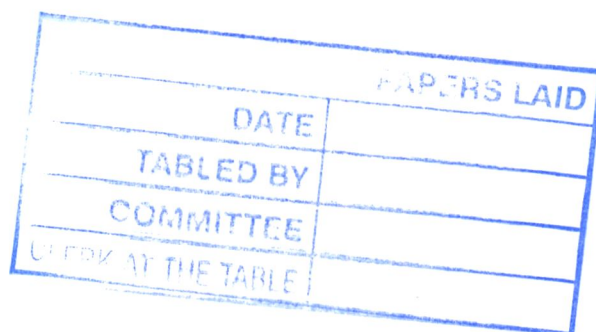
The Committee recommends that; -

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

Other matter

Unresolved Prior Year Matters

The progress on follow-up on Auditor's recommendation section of the financial statement reflects three (3) issues raised in the previous year's audit report which remained unresolved as at 30 June, 2025. These issues include Inaccuracies in the Fund Closing Balance, Inaccuracies in Own Source Revenue Amount and Budgetary Control and Performance.



Management response.

Management is progressively resolving prior year issues as raised, attached is the audit recommendation implementation matrix

Committee Observation

The committee observed that issues from previous financial years had not been resolved

Committee Recommendations

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

Basis for Conclusion

Lack of Exchequer Release Notifications

The statement of financial performance and as disclosed in Note 6 to the financial statements reflect exchequer releases amount of Kshs. 5,936,522,424 collected into the County Revenue Fund. However, the County Treasury did not provide for audit verification, the exchequer release notifications issued to the Accounting Officer.

In the circumstances, the existence and effectiveness of the internal controls regarding exchequer releases could not be confirmed.

Management Response.

Management responded that notification is necessary when departments have their own bank accounts. Funds requisition and payment processing in the County is centralized and domiciled in the County treasury. Therefore, it is not necessary to issue exchequer release notifications to departmental accounting officers.

Committee Observation

The Committee noted that delays in receiving exchequer releases from the National Treasury and under-collection of own source revenue hindered optimal program implementation and effective budget execution.

Committee Recommendation

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

Audit Questions

1. Un-reconciled variance between Own Source Revenue Reported in Receiver of Revenue (ROR) and County Revenue Fund (CRF)

The statement of revenue and disbursements reflects total revenue from non-exchange and exchange transactions of Kshs. 297,634,898 and Kshs. 101,539,576 respectively totaling to Kshs. 399,174,474. However, this differs with corresponding County Revenue Fund (CRF) amounts of Kshs. 284,749,168 and Kshs. 81,203,386 totaling to Kshs. 365,952,554 resulting to un-reconciled variance of Kshs. 33,221,920.

In the circumstances, the accuracy and completeness of total revenue of Kshs. 399,174,474 could not be confirmed.

Management Response

- a) The revenue statements were prepared in accordance with the accrual basis of accounting method. Thus, indicating both realized and un-realized revenue.
- b) The statement of revenue and disbursements reflects total revenue of Kshs. 399,174,474 being realized revenue of Kshs. 365,952,554 and unrealized revenue (from land and plot rates arrears) of Kshs. 33,221,920.
- c) County Revenue Fund statement reflects only the actual/realized revenue of Kshs. 365,952,554.

Committee Observation

The committee observed that the accounting officer did not provide the evidence to support the issue raised.

Committee Recommendation

1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;
2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.
3. The Head of Treasury ensures that proper records are maintained and reconciliations are performed monthly in line with Regulation 90 of the PFM (County Governments) Regulations, 2015.

2. Unsupported County Own Generated Revenue

The statement of revenue and disbursements reflects total County Own Generated Revenue of Kshs. 399,174,474 which was not supported by sufficient and appropriate documentation in form of invoices or serialized receipt, collection control sheets and cashbooks for the various income streams.

In the circumstances, the accuracy and completeness of own source revenue amounting to Kshs. 399,174,474 could not be confirmed.

Management Response

- a) During the year under review, revenue collection was supported by two systems namely; BSK and Laifom. Both systems were able to generate serialized invoices and issue serialized receipts once payment was completed. These two systems could also categorize revenue into the various revenue streams among other features.
- b) The receiver of revenue has delegated revenue collection to 7 (seven) regions across the County each headed by a Sub County revenue officer. These officers report on weekly basis to the receiver of revenue.

Their report includes a summary of revenue per stream, the collection method (system used), the method of payment (which bank or Mpesa), and the collection control sheets issued.

Committee Observation

The Committee observes with grave concern that the county's own-generated revenue of Kshs. 399,174,474 million could not be confirmed due to a complete lack of supporting documentation (daily/monthly returns, official receipts, system reports). This points to a systemic failure in revenue collection, accounting, and internal controls. The decline in revenue from key streams like cess and parking fees, despite overall growth, suggests possible revenue leakages, contravening the public officer's duty to safeguard revenue under Section 79 of the PFM Act, 2012.

Committee Recommendations

1. The Office of the County Governor undertakes administrative action

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;

2. The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015.
3. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under sections 32 and 33 of the Accountants Act CAP 531 and provides a status update to the Senate within 60 days of adoption of this report.

3. Unconfirmed Cash Balance

The statement of financial position and as disclosed in Note 31 to the revenue statements reflects a cash and cash equivalents balance of Kshs. 2,161,241 for the five (5) bank accounts maintained by the Receiver of Revenue at five commercial banks. However, cashbooks and bank reconciliation statements were not provided to support the balances as required by Regulation 90(1) of PFM (County Government) Regulations, 2015

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 2,161,241 could not be confirmed.

Management Response

The cash and cash equivalent balance of Kshs. 2,161,241 was made up of cash and

bank balances as follows;

S/NO.	Method of payment	Amount (KSHS.)
1.	Equity Bank A/C No. 0620261016673	1,823,611
2.	Co-operative Bank A/C No. 01141468609500	25
3.	KCB Bank A/C No. 1140736779	1,867
4.	Family Bank A/C No. 037000015899	0
5.	Diamond Trust Bank A/C No. 0016376002	302
6.	MPESA Balances	335,435
7	Cash at Hand	600
	Total	2,161,241

Committee Observation

The committee observed that the accounting officer did not provide the evidence to support the issue raised.

Committee Recommendations

1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;
2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.
3. The Head of Treasury ensures that proper records are maintained and reconciliations are performed monthly in line with Regulation 90 of the PFM (County Governments) Regulations, 2015.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

4. First-time Adoption of IPSAS 33 and Transitional Provisions

The cover page of the financial statements indicated that the financial statements were Transitional IPSAS financial statements/prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS) instead of indicating one option that was adopted. Further, Note 2 to the financial statements and statement of management responsibilities did not indicate that these are transitional financial statements.

In addition, the Receiver of Revenue did not disclose the specific transitional provisions and measures being undertaken towards full compliance with IPSAS Accrual Contrary to IPSAS 33 which explicitly requires an entity that utilizes any transition exemptions to clearly disclose the transition provisions that it has applied.

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

Management Response

Management noted the audit finding that the financial statements were Transitional IPSAS financial statements. Management agrees that, this was not clearly indicated in the financial statements cover page and note 2. This was an omission well noted and shall be rectified in the subsequent financial statements.

Management is committed to ensuring adherence to the reporting standards.

Committee Observation:

The Committee observes that the Accounting Officer failed to adhere to the financial reporting formats prescribed by the Public Sector Accounting Standards Board (PSASB). The failure to properly disclose the elements not recognized and the steps towards full compliance undermines the transparency and comparability of financial statements required by Section 194 of the PFM Act.

Committee Recommendation:

The Accounting Officer to present the financial statements for FY 2025/2026 strictly in the format prescribed by PSASB. A detailed analysis of the elements of the

financial statement not yet recognized, and a clear timeline for full compliance with IPSAS Accrual, must be appended to the next financial statements as required by IPSAS 33 and good accounting practice.

5. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.850,000,000 and Kshs. 653,584,835, respectively resulting to under-collection of Kshs.196,415,165 or 23% of the budget.

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

Management Response

Management noted the audit finding. County had projected to collect 850 million in 2024/2025 financial year. However, for the period under review, Kes 653,584,835 million was collected. The under collection was due to the following reasons.

- a) County had projected to receive Kes. 63 million from The National Treasury in contribution in lieu of rate (CIROL).
- b) Unfavorable climate condition affected revenue emanating from produce cess. Nyandarua is well known as food basket of the County. Potatoes production contributes substantial amount in revenue generation inform of cess fees in our cess barriers. Very few lorries carrying potatoes were recorded than anticipated.
- c) Reduced Nyandarua County Finance Act charges. During finance Bill preparation, County had proposed to raise fees and charges by 10%. The protested National Government's finance bill by GENZs affected Nyandarua County proposed finance bill. During Finance Bill public participation forums, public demanded the finance Act of Financial year 2022/2023 to be used.

Committee Observation

The Committee observed that;

1. the county entities did not receive exchequer releases from the National Treasury on time.

APERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

2. the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
3. Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendation

The Committee recommends that; -

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

6. Unresolved Prior Year Matters

The progress on follow-up on Auditor's recommendations section of the revenue statements reflects that the following issues raised in the previous year's audit report remain unresolved as at 30 June 2025;

Management Response

The summary of the prior year audit matters and the managements responses to those matters is as detailed below;

	Financial	Audit Issue	Management Response	Annexures

	Year			
1.	2023/2024	Long Outstanding Arrears of Revenue	The County government gave notice to the public with outstanding arrears (land/plot rates) through advertisement made in large circulating newspaper on 19th October 2024 to pay the arrears within two months period (19th October 2024 to 19th December 2024). This was an effort to recover long outstanding debt to woo the public to clear their debts.	Annexure 7 copy of newspaper advertisement and The Kenya gazette
2	2023/2024	Unsupported County Own Generated Receipts	Nyandarua County had automated revenue collection. When payments were made, the County Pay system generated serialized dated receipts.	Annexure 8 System generated receipts report.
3	2023/2024	Inaccurate Disbursement to County Revenue Fund	Management noted the audit finding. The variance was as a result of year end cutoff date. ROR cutoff date was on 30th June 2024 while treasury closing	Annexure 9 A reconciliation of County Fund Account.
			date was extended due to delay of	

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

			release of funds by exchequer.	
4	2023/2024	Unsupported revenue arrears	The hospital arrears for 2023/2024 financial year of Kes. 77,998,028 details were provided. This included amount due, and patient details.	
5	2023/2024	Budgetary Controls and performance	Management noted the audit finding. However, for the period under review own source revenue (OSR) was over estimated. County had projected to collect from Own Source Revenue to a tune of Kes. 1.225 billion. This was corrected through the adoption of a realistic own revenue estimation method based on last financial year collections. In 2024/2025 financial year, County projected collection from OSR of kes. 850 million	Annexure 10 Revenue Budget t 2024/2025 Financial Year

6	2023/2024	Un-budgeted revenue	In 2023/2024 Financial year, Library services were devolved to County Government in the course of the year. This had not been anticipated when preparing the revenue target/budget. This was resolved in 2024/2025 financial year.	Annexure 11 Revenue Budget 2024/2025 Financial Year
7	2023/2024	Irregular operation and opening of Bank Account	In the year 2023/2024, County Government opened a revenue collection account in Diamond Trust Bank. An approval was given by CECM Finance through a Letter Authorizing Opening Bank Account in Diamond Trust Bank.	Annexure 12 Authority Letter to open bank account from CEC M finance to Diamond Trust Bank.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

8	2023/2024	Non-appointment of Receiver of Revenue and Revenue Collectors	Receiver of revenue was appointed by CECM Finance through a Letter of appointment reference letter NYA/FEP&ICT/HR 5/VOL 1 (144). Director of revenue was appointed as per section 157 (2) of Public Finance Management Act 2012	Annexure 13 Receiver of Revenue Appointment Letter
9	2023/2024	Revenue spent at source	Nyandarua County developed a regulation under Kenya gazette supplement no.9 on 18th July 2023. Clause 5 (b) the regulations state the sources of fund to support agriculture institution activities. These include funds generated by the institutions.	Annexure 14 The Public Finance Management (Nyandarua County Agricultural Institutions
				Revolving Fund) Regulations, 2023

10	2023/2024	Irregular Revenue Collection and Management System Extension	Clause 2 of the contract between Nyandarua County and BSK Global Technology Ltd, included the criteria of contract extension. Report from technical Committee which was appointed and opinion from head of supply chain formed the base of the extension of the contract.	Annexure 15 BSK Global Technology Ltd Contract Agreement and Head of Supply chain Management opinion.
11	2023/2024	Failure to Automate all revenue collection streams	Nyandarua County had automated 95% of revenue streams. The county is in process of automation all revenue collections. This will be achieved after implementing a contracted new revenue system.	
12	2023/2024	Lack of Updated Valuation roll	The County government is in the implementation of valuation roll. CECM Land, Physical Planning, Housing and Urban Development tabled a cabinet memo on implementation of Valuation roll.	Annexure 16 Cabinet Memorandum on implementation of valuation roll.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

13	2023/2024	Lack of fraud Management Strategies	The County Government had prepared Management strategies and is in draft stage	Annexure 17 Nyandarua IC T Strategic plan.
----	-----------	-------------------------------------	--	---

Committee Observation

The committee observed that issues from previous financial years had not been resolved

Committee Recommendations

The Committee Recommends that—

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

Other Information

Lack of Risk Management policy

The Receiver of Revenue did not have a risk management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks

Management Response

Nyandarua County has a draft risk management policy and was presented to the county Assembly for adoption and approval. Once the policy will be approved, it will be implemented in all sectors.

Committee Observation

The committee observes that the absence of an approved risk management policy and disaster recovery plan is a failure to establish a key component of good governance and internal control as required by Section 158 of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the Accounting Officer for all county entities should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	