

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

10. Lack of Annual Recruitment Plans

Review of documents revealed that County Executive did not have an annual recruitment plan for the period under review, despite payroll analysis confirming that five hundred and forty-three (543) new officers were on-boarded at a total cost of Ksh.168,656,112. This was contrary to Section 59(1)(g) of the County Governments Act, 2012, and Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 2015 which require the development of a coherent human resource plan and a detailed human capital plan, respectively, to form the basis for personnel budgeting and recruitment.

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

Management Response

The County Public Service Board (CPSB) is committed to addressing this gap and has already initiated concrete steps to establish a robust, county-wide framework.

Key Actions in Place:

Pilot Implementation with Key Departments:

The CPSB has commenced developing annual recruitment plans in collaboration with the Department of Education and the Department of Health. These departments were prioritized due to their critical service delivery roles and high-volume recruitment needs. This pilot phase allows us to:

- Test and refine recruitment criteria, forecasting methodologies, and equity-focused strategies.
- Align plans with county-wide strategic objectives, budget cycles, and service demands.

Phased Rollout Strategy:

Building on lessons learned from the pilot, the CPSB will extend this initiative to all remaining county departments in a structured manner. Our timeline includes:

- **2025:** Finalize criteria templates and training modules for the pilot departments.

- **2026:** Onboard 50% of remaining departments.
- **2027:** Full county-wide rollout, ensuring all departments operate under standardized recruitment planning criteria

Governance and Oversight:

A cross-departmental working group, chaired by the CPSB, has been established to:

- Ensure consistency in recruitment plan development.
- Monitor compliance and adapt criteria to evolving needs.
- Integrate feedback from the audit to strengthen accountability mechanisms.

Commitment to Improvement:

We recognize that a lack of unified recruitment planning criteria risks inefficiencies, inequitable hiring, and misalignment with county goals. The phased approach ensures sustainable implementation, allowing for iterative improvements and stakeholder buy-in. By 2027, all departments will be required to submit annual recruitment plans that adhere to CPSB-approved criteria, including:

- Workforce gap analysis.
- Diversity and inclusion targets.
- Budgetary alignment.
- Succession planning for critical roles.

Committee Observation

The Committee noted that the recruitment of 543 officers without an approved annual recruitment plan contravenes Section 59(1)(g) of the County Governments Act, 2012 and Regulation 119(2) of the PFM (County Governments) Regulations, 2015, which require a coherent human resource plan as the basis for personnel budgeting.

Committee Recommendation.

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

11. Un-Authorized Opening of Bank Accounts

PAPER LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Review of the county's bank accounts revealed that out of two hundred and seventeen

(217) bank accounts operated by the county, two hundred and fifteen (215) accounts lacked any evidence of authorization from the County Treasury. This contravened Regulation 82(4) and (5) of the Public Finance Management (County Government) Regulations, 2015 which requires prior County Treasury authorization for opening any bank account and requires that such authorization be formally communicated to both the Controller of Budget and the Auditor-General.

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

Management Response

All opening of bank accounts are authorized by the County Treasury in accordance to Regulation 82 (4) and (5) of the Public Finance Management (County Government) Regulations, 2015. Sample of letters of authorization are provided for your confirmation.

Committee Observation

The Committee observed that 215 out of 217 bank accounts were opened without prior written authority from the County Treasury. This is a serious contravention of Regulation 82(4) and (5) of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that:

1. The accounting officers responsible for opening unauthorized accounts have committed an offence of financial misconduct as per Section 210(1)(b) of the PFM Act, 2012 and are personally liable for any losses sustained.
2. The Committee recommends that the Directorate of Criminal Investigations investigate this breach and the responsible officers be subjected to the sanctions and penalties under Section 199 of the PFM Act, 2012.

12.Failure to Establish a Project Co-ordination Committee for the Transition to Accrual Accounting.

Review of the records and processes revealed that the County Executive had not formed a project coordination committee. There was no evidence of the committee's formation, including terms of reference, membership lists or minutes of meetings. Further, there was no coordinated structure in place to drive the activities outlined in the transition roadmap, such as asset verification, system evaluation, staff training, and the development of opening balance sheets for a structured and successful transition to accrual accounting. This was contrary to Section 1.5 (iii) of the

Guidelines on Transition from cash to accrual accounting by ministries and County Governments in Kenya. In the circumstances, Management was in breach of the law.

Management Response

The County Executive has formed a project coordination committee for the transition to Accrual Accounting. The committee has been established to coordinate activities outlined in the transition roadmap in order to achieve full adoption by 30th June, 2027.

Committee Observation

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

Committee Recommendation

The committee recommended the issue be marked as resolved.

13. Non- Compliance with Provisions of Facility Improvement Financing (FIF) Act

Review of bank statements for four level - 4 Hospitals in West Pokot County revealed that the Hospitals deposited Ksh.43,669,982 into the West Pokot County Health FIF KCB account. Subsequently, an amount of Ksh.38,212,580 was returned to the Hospitals' FIF KCB operations accounts while the balance of Ksh.5,457,402 was withheld at the County level. **See Appendix 2.** This was contrary to Section 5 of the Facility Improvement Financing Act, 2023, which requires all facility funds to be retained in designated FIF accounts and prohibits their transfers to unauthorized accounts.

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

Management Response

The audit findings are attributed to the implementation of the 2019 West Pokot Facility Improvement Fund (Fund) Act which established the Fund. Specifically, section 3 (e) (vii) of the same Act provides for the facility improvement funds to go to both curative and preventive and promotive health care services.

This is a departure from the National Facility Improvement Financing Act which does not establish a fund. Currently, the county is implementing the 2025 FIF Act which retains the Facility Improvement Fun

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observation

The Committee observed that Ksh. 5,457,402 from Level-4 Hospital FIF accounts was withheld at the County level, contrary to Section 5 of the Facility Improvement Financing Act, 2023, which requires all facility funds to be retained in designated FIF accounts.

Committee Recommendation

The Committee recommends that:

The Committee recommends that the County Treasury to immediately refund the withheld Ksh. 5,457,402 to the respective hospitals' FIF accounts. The County governor must ensure full compliance with the FIF Act, 2023, and any county legislation on the same must be aligned with the National Act as per the principle of consistency in Article 191 of the Constitution.

14. Irregular Issuance of Bursaries to Secondary Schools

The County Executive allocated Ksh.150,000,000 from the West Pokot Bursary Education and Development Infrastructure Fund for capital infrastructure development in secondary schools. This expenditure constitutes an unauthorized activity, as the development, management, and infrastructure funding of secondary education falls exclusively under the functional mandate of the National Government. This was contrary to Part 2, Paragraph 9 of the Fourth Schedule of the Constitution of Kenya (2010), which limits the mandate of County Governments to pre-primary education, village polytechnics, homecraft centers, and childcare facilities.

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

Management Response

The County Executive recognizes the constitutional provisions under the Fourth Schedule (Article 185(2), 186(1), and 187(2)) which delineate the functions of County Governments, including the responsibility for pre-primary education, village polytechnics, homecraft centers, and childcare facilities.

However, West Pokot County operates under unique and pressing circumstances. As one of the marginalized and arid and semi-arid land (ASAL) counties, the County faces significant socio-economic challenges, including high illiteracy levels, low

school retention rates, limited access to educational infrastructure and cultural practices such as early marriages and banditry. These issues continue to hinder access to and completion of education, especially for vulnerable and disadvantaged learners.

In response to these challenges, the County Government enacted the *West Pokot County Bursary, Education Development and Infrastructure Act, 2025*, together with the *West Pokot County Bursary, Education Development and Infrastructure Fund Regulations, 2014*. These legal instruments were developed to provide a structured, transparent and accountable framework for supporting education through bursaries and infrastructure development.

Furthermore, the County Government of West Pokot has entered into an Intergovernmental Memorandum of Understanding with the Ministry of Education which was guided and facilitated by the Intergovernmental Relations Technical Committee (IGRTC) in partnership with Attorney General and consequently reviewed by the Controller of Budget that enabled the bursary to incur the expenditure towards infrastructural support as outlined by the West Pokot County Bursary and Infrastructure Act which are attached for your confirmation.

The prioritization of bursary support and education infrastructure has also been consistently reflected in the County's planning and budgeting instruments. The County Integrated Development Plan (CIDP) 2023–2027, the Annual Development Plan (ADP) 2024-25, and the outcomes of public participation forums have all identified education as a critical area requiring strategic investment to support secondary and tertiary education.

The impact of these interventions has been significant. The County has recorded improved literacy levels, increased transition rates between primary, secondary, and tertiary levels and a reduction in harmful cultural practices. Access to education has notably improved, particularly in remote and previously neglected wards. Going forward, the County Government remains committed to ensuring all budgets are aligned with legal frameworks and Continued collaboration with national government agencies.

Committee Observation

The Committee noted that allocating Ksh. 150,000,000 for secondary school infrastructure is an irregular expenditure as it falls outside the county's constitutional mandate. This contravenes Part 2, Paragraph 9 of the Fourth Schedule of the Constitution, which limits counties to pre-primary education.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Recommendation

1. The County Governor to cease the use of county funds for functions constitutionally assigned to the National Government and ensure that all future expenditures strictly comply with the functional mandates outlined in the Constitution of Kenya (2010).
2. The County Executive should provide a detailed justification and accountability for the Ksh.150,000,000 already expended and put in place internal controls to prevent recurrence of such irregular expenditures within ninety (90) days of the adoption of this report.

15. Stalled Completion of Education Administration Office Block in Kapenguria

Review of records revealed that a local contractor was awarded a contract for the construction of an education administration office block at Kapenguria to completion in May, 2015 at a contract sum of Ksh.52,457,964 for a period of three (3) years. The contract was terminated in September, 2020 on the grounds that the contract period had lapsed yet the project was not complete. At the time of contract termination, the contractor had been paid Ksh.35,842,107.

In May, 2021, another contractor was awarded to do some works which included door and window fixing, stone pitching, plastering, painting and staircase and ramp linkage at a contract sum of Ksh.4,999,960 for a period of three (3) months where works valued at Ksh.4,094,417 were completed.

Physical inspection in June 2025, approximately ten (10) years after commencement, confirmed the project was still incomplete and no contractor was on site.

In the circumstances, the value for money on the expenditure incurred on the delayed construction of an education administration office block could not be confirmed.

Management Response

The project is practically complete. Provided is the completion certificate and project photographs. The contractor will hand over the site upon payment of the last certificate of pay, which is pending due to non-remittance of funds by the National Treasury.

Committee Observation

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

Committee Recommendation

The committee recommended the issue be marked as resolved.

16. Irregularities in the Drilling of Boreholes Projects

The Department of Water, Environment and Natural Resources utilized the force account procurement method for drilling of fourteen (14) boreholes at a total cost of Ksh.25,500,000 without adhering to the mandatory legal safeguards governing this procedure. Review of the project documentation revealed that the Department failed to prepare essential technical documents, including bills of quantities, cost estimates, technical drawings and water chemical analysis. This was contrary to Section 109 of the Public Procurement and Asset Disposal Act, 2015 and Regulation 95 of the Public Procurement and Asset Disposal Regulations, 2020, which provides conditions and required documentation for the lawful use of the force account method of procurement.

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

Management Response

The department prepared bills of quantities containing the cost estimates and the technical drawings. Copies are provided for your confirmation.

Committee Observation

The committee observed that the management failed to provide water chemical analysis reports for 14 boreholes drilled at a cost of Ksh. 25,500,000. This is a fundamental omission that puts public health at risk and contravenes the requirement for technical documentation under Section 109 of the Public Procurement and Asset Disposal Act, 2015.

Committee Recommendation

The Committee recommends that; -

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

17. Stalled Completion of Pkopoch Tourist Hotel and Hospitality Development Centre

Review of documents revealed that Management awarded a local contractor a tender to construct Pkopoch Tourist Hotel and Hospitality Development Centre at a contract sum of Ksh.352,123,565 on 15 May, 2015. However, the works stalled at first floor superstructure and another contract was awarded to the same contractor at a contract sum of Ksh.19,691,777 to carry out protection works at the project site with no contract period stated in the contract agreement.

No documentation in support of the termination process were presented for audit even though a second contract was awarded on the same project. The total amount paid as at the time of audit was Ksh.84,740,392 which included Ksh.17,722,599 paid for the second contract. Physical inspection in September, 2025 revealed that the project had stalled at first floor superstructure and the contractor was not on site.

In the circumstances, the value for money on the expenditure of Ksh.84,740,392 incurred on the project could not be confirmed.

Management Response

The management has included the proposal for completion of the Pkopoch Tourist Hotel in the sector working report for 2026-2027 for the required financial resources to be allocated.

Committee Observation

The Committee observed that Regulation 22, 20 (g) of the PFM Act County Governments 2015 had been breached. In addition, the project remained incomplete even after verification and therefore there was no value for money.

Committee Recommendations

The committee recommends that;

- 1. The County Governor to establish a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;**
- 2. The Office of the County Governor to prioritize completion of existing and stalled projects and provide a budget for their completion and provide a status update to the**

Auditor General within 90 days of the adoption of this report;

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

18. Irregularities in Implementation of Roads Projects

Review of ward-specific road construction projects under the Department of Roads revealed systemic failures in project planning, execution, and monitoring. Ten (10) projects with a total cost of Ksh.14,895,834, remained incomplete due to inadequate funding and poor budgetary planning. Further, several road constructions demonstrated significant regulatory and quality control failures, with roads being opened through private properties without proper land acquisition approvals and evidence of substandard workmanship compromising the integrity of the works.

In the circumstances, the value for money on the expenditure of Ksh.14,895,834 incurred on the road projects could not be confirmed.

Management Response

The schedule of the road works referred for the ward specific projects are listed hereunder and the responses provided.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

S/no	Scope of work	Management Response
1.	Grading and Gravelling of Kipkorinya-Kaptuka road	Borrow pit tested for Kahawa Box Culvert, no provision was made as the visual inspection showed no change in quality.
2	Completion of Timorwo-Chepokoriong Road	Manual reshaping works. No borrow material was used and no compaction required
3	Grading of Toriapkoi- Pusian-Chepkopegh road improvement and maintenance works at Toriapkoi Pusian Chepkobegh	Grading works, no compaction or gravelling provided for in the contract.
4	Opening of Nakwapuu- Songolol road	Quantities were fully exhausted as per the contract. Completion of the project is expected after inclusion in the 2025-2026 budget. Annex 12
5	Opening of Chichia Lotukum road	Road clearance and removal of unsuitable materials done to completion. Road maintenance by grading and structures installation will improve the level of service of the road. No conflict reported during and after execution of works due to successful public participation.
6	Bush clearing of Muino- Kslet road	Road construction followed a successful public participation exercise. The project was completed without any objection or complaints.
7	Opening of Kipkorinya cattle dip kipsakas	The earthworks have been completed, level of service of the road will be improved by grading, gravelling and structure installation works. No conflict arose during and after the execution due to a successful public participation exercise.

8	Blasting/Dozer works at Kaplelach- kasikach-Kadow road	The contracted works are complete as per the contract documents.
9	Opening of mariny-Kapunpun road	Works contracted and executed following a successful public participation exercise. No objection or formal complaint was made during the public participation or during and after execution of the works.
10	Opening of Chemokol-Kaptum road	The contracted quantities were exhausted. The road requires additional funds for improvement. Public participation and project execution were undertaken successfully without complaints or objections. Completion of the project will be done in the FY 2025-2026; the budget has been provided. Annex 13

Committee Observation

The Committee observed significant regulatory and quality control deficiencies, including instances where roads were opened through private properties without proper land acquisition approvals and cases of substandard workmanship that compromised the quality and sustainability of the road works. As a result of these shortcomings, the Committee concluded that value for money for the expenditure of Ksh. 14,895,834 could not be confirmed, raising concerns regarding the effectiveness of project management and oversight within the Department.

Committee Recommendation

The Committee recommends that; -

- 1. The County Governor to establish a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report.**
- 2. The OAG should keep the matter in view and report in subsequent audits.**

19. Irregularities in Implementation of Water Projects

Physical inspection of water projects implemented by the Department of Water, Environment, Natural Resources and Climate Change, with a total

PAPERS L	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

contract cost of Ksh.15,498,820 revealed systemic failures in project execution and quality control, resulting in non-functional or sub-optimally performing assets. Key deficiencies included: multiple completed boreholes that were not equipped, projects with unreliable water supply due to technical failures and systems operating at low pressure, severely restricting water access for intended beneficiaries, including primary schools and community points.

In the circumstances, the value for money on the expenditure of Ksh.15,498,820 incurred on the water projects could not be confirmed.

Management Response

Contactor	Project	Contract sum	Observations	Management Response
Geowoxs Consultants Ltd	Installation of solar at Nakuyen borehole – Suam Ward	2,499,930	The project is complete and residents draw water from the water point. However, the supply of water is unreliable as residents go for days without water. Further the water pressure from the taps is low with only one (1) tap out of four (4) taps fixed releasing water at very low pressure.	The project was still under defects liability period. The management instructed contractor to make good the defects before release of retention money. The project is now operating optimally
Force Account	Drilling of borehole in Kasiyoyowo – Suam Ward	2,000,000	Borehole drilled. However, equipping has not been done.	The management has budgeted for equipping of the borehole in the FY 2025-2026 Annex 18

Contactor	Project	Contract sum	Observations	Management Response
Deecell Enterprises	Renovation of water intake at Kaplain and piping to Kaplain center and Kipsakas Primary school – Siyoi Ward	999,980	Water supply to Kipsakas Primary school and the community water point is unreliable with beneficiaries not being able to draw water for days. Audit verification revealed that some sections of the pipeline are broken and were leaking.	The project was still under the defect's liability period as at the period of audit. The management instructed the contractor to make good the defects before release of retention money. The pipeline was rep and the beneficiaries are now able to draw water sufficiently.
Manzil Holdings Limited	Drilling, water quality testing, solarization of Totum borehole and distribution of water to Totum Primary and community– Mnagei Ward	4,999,110	The project is complete and residents draw water from the water point. However, the supply of water is unreliable as Totum Primary School and community water points lack water for days.	The secondary school committee mandated to oversee management of the water project allows for rationing of the water between the primary school and the community.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Contactor	Project	Contract sum	Observations	Management Response
Hydronice Limited	Installation of 10,000 Ltrs tank, structure, piping, motor pump and solar with three water points at Mading borehole– Kapchok Ward	2,999,800	The project is complete and residents draw water from the water point. Supply of water to Mading dispensary is reliable. However, the supply of water at Mading Primary is unreliable and extension to the community water point is not in use as it does not receive water. Audit verification revealed that there are sections of the extension that have broken pipes.	The project was still under the defects liability period. The management instructed contractor to make good the defects before release of retention money. The pipes have been repaired and all the defects rectified. The borehole operating optimally.
Force Account	Drilling of Borehole at Lokitedel– Kapchok Ward	1,000,000	Borehole drilled. However, quipping has not been done.	The management has budgeted for equipping of the borehole in the FY 2025-2026. Annex 18
Force Account	Drilling of Borehole at Cheptokol– Kapchok Ward	1,000,000	Borehole drilled. However, equipping has not been done.	The management has installed a hand pump and residents are now drawing water from the borehole.
Total		15,498,820		

Committee Observation

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

Committee Recommendation

The committee recommends that the matter be marked as resolved.

1. Delayed Completion of Construction of a Modern Mortuary at Kapenguria Referral Hospital

Review of documents revealed that the Department of Health and Sanitation awarded a contract, for the construction of a modern mortuary at Kapenguria Referral Hospital at a contract sum of Ksh.14,356,156 on 4 April, 2024 with a 180-day completion period, from

4 April, 2024 to 5 October, 2024. However, physical inspection in the month of June, 2025, revealed that the project was incomplete at about 99% completion level. The contractor had been paid Ksh.6,855,607 while a second payment certificate for Ksh.7,348,166 remained unpaid.

Audit also revealed that critical components were omitted from the original contract such as a walkway linking the mortuary to the Hospital wards and landscaping due to the site's topography for safe and accessible use.

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

Management Response

The management has provided for financial resources to procure contractors to execute the works omitted in the original contract which include access roads, drainage works and a sentry house. In order to operationalize the facility, a further funding for equipping of the mortuary has been appropriated in the current budget for the FY 2025/2026. Budget extracts are provided for your confirmation.

Committee Observation

The construction of the modern mortuary at Kapenguria Referral Hospital remained incomplete beyond the contract period and omitted critical components such as a walkway linking the mortuary to hospital wards and landscaping works, raising concerns over project planning and value for money of the expenditure incurred.

Committee Recommendation

The committee recommends that;

PAPER	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

2. Unused Elevated Tank and Plumbing at Paraywa Dispensary in Siyoi Ward

Review of documents revealed that the Department of Health and Sanitation awarded a contract for the construction of a septic tank, elevated tank and plumbing system at Paraywa Dispensary at a contract sum of Ksh.2,499,591 which was fully paid by 30 December, 2024. However, physical inspection in the month of June 2025 found the completed facility non-operational because it lacked a water source. Further, the department had not budgeted for this essential component.

In the circumstances, the value for money on the expenditure of Ksh.2,499,591 incurred on the construction of a septic tank, elevated tank and plumbing system project could not be confirmed.

Management Response

The management has made a budget provision in the current FY 2025/2026 for drilling and equipping of a borehole at Paraywa centre to serve the dispensary and other public institutions. Budget extracts are provided for your confirmation.

Committee Observation

The septic tank, elevated tank, and plumbing system constructed at Paraywa Dispensary at a cost of Ksh.2,499,591 remained non-operational due to lack of a water source, raising concerns over project planning and value for money of the expenditure incurred.

Committee Recommendation

The committee recommends that;

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

Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;

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

3. Unused Kruru Dispensary in Riwo Ward

Review of documents revealed that the Department of Health and Sanitation awarded a contract for the construction of Kruru Dispensary at a total cost of Ksh.5,999,137, with the final payment made in February, 2025. Physical inspection in the month of June 2025 confirmed that the building was constructed as per the bill of quantities. However, the dispensary remained non-operational as the project failed to provide for essential utilities and resources including water, electricity, medical equipment and staff.

In the circumstances, the value for money on the expenditure of Ksh.5,999,137 incurred on the construction of the dispensary could not be confirmed.

Management Response

The management acknowledges the audit findings and is working to include the missing essential services in the sector report for 2026-2027 in order for financial resources to be allocated.

Committee Observation

The committee observed that although Kruru Dispensary was constructed as per the bill of quantities at a cost of Ksh.5,999,137, the facility remained non-operational due to lack of essential utilities, medical equipment, and staff, raising concerns on planning and value for money of the expenditure incurred

Committee Recommendation

The committee recommends that;

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

4. Delayed Operationalization of Nasukuta Export Abattoir Project

Review of records revealed that the Nasukuta Export Abattoir project was initiated in 2018 with a total project cost of Ksh.214,400,000 with an original completion date of March 2022. However, the project remained incomplete with the contract for the supply and installation of export processing equipment remaining outstanding. This deficiency renders the entire abattoir facility non-operational, despite the substantial investment comprising of Ksh.110,000,000 of European Union grant and Ksh.62,000,000 in County counterpart funding.

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

Management Response

The Nasukuta Export Abattoir project is 98% complete with its main challenge being the seed capital to operationalize the facility. The County Government continues to look for investors and stakeholders to partner or collaborate with for purpose of operationalizing the Abattoir. Recently the County Government management led delegation of its high-ranking officials with assistance of Kenya Investment Authority (Keninvest) and held a strategic meeting with Jordanian Ambassador on operationalization of Nasukuta Export Abattoir. In addition to other strategic meetings with the Kenya Meat Commission. Correspondences are provided as

On the supply and installation of export processing equipment, the County Government through its intervention has initiated termination for the contract to supply and installation of export processing equipment as the contractor has not supplied all the required items within the stipulated period citing unavailability of fabrication materials, delayed delivery of imported equipment and unexpected increase in fuel and steel prices beyond their control. The termination of the contract will allow for re-tendering and supply of the outstanding equipment by another contractor.

Committee Observation

The Committee observed that Nasukuta Export Abattoir project remained incomplete and non-operational due to failure to supply and install export processing equipment despite substantial investment from the European Union grant and County counterpart funding, raising concerns on project implementation and value for money of the expenditure incurred.

Committee Recommendation

The committee recommends that;

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

5. Delay in Completion of Construction of Governor's Office Complex

Review of records revealed that the County Executive awarded two contracts for the construction of the Governor's Office Complex to the same local contractor: Phase I was awarded on 4 June, 2019 at a contract sum of Ksh.198,475,572 while Phase II was awarded on 12 April, 2024 at a contract sum of Ksh.20,000,000.

Physical inspection of the project in the month of August, 2025 and review of original bill of quantities revealed that, the County Executive changed the office complex floors design from the initial six (6) story building to a four (4) story building. However, the revised architectural design and plan, revised BQ, project implementation committee minutes and recommendations and accounting officers' approvals for the changes were not presented for audit review. The project was incomplete and had stalled while the contractor was not on site.

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

Management Response

The management did not provide any response.

Committee Observation

The committee observed that the management did not provide a response to this query. In addition, the construction of the Governor's Office Complex stalled following an unauthorized change of the building design from six to four storey without supporting revised designs, bills of quantities, and approvals, raising concerns over project management and value for money of the expenditure incurred.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Inadequate Facilitation of Internal Audit Department

The internal audit function was under-resourced with only two (2) staff members, severely constraining its capacity to execute the approved annual work plan. Further, the budget lacked provision for essential operational requirements with no dedicated motor vehicle and fuel allocations, fundamentally impeding its mobility and field audit capabilities. This was contrary to Regulation 167(8) of the Public Finance Management (County Governments) Regulations 2015, which mandates that accounting officers ensure the audit committee and internal audit function are adequately funded and supported.

In the circumstances, the effectiveness of the internal audit function in ensuring presence of strong internal controls could not be confirmed

Management Response

The management responded that it deployed a motor vehicle to the unit, enhanced its budget allocation and approved its indent for recruitment of the optimum required staffing levels. Budget extract was provided

Committee Observation

The Committee observed that this situation was contrary to Regulation 167(8) of the Public Finance Management (County Governments) Regulations, 2015, which requires Accounting Officers to ensure that the internal audit function and audit committee are adequately funded and facilitated to perform their duties effectively.

Committee Recommendation.

The Committee recommends that the County Governor to strengthen the Internal Audit function by providing adequate staffing, budgetary allocations, and operational resources, including transport and logistical support, to enable the unit to effectively implement its audit work plan and enhance oversight over the County's financial management systems in compliance with the Public Finance Management (County Governments) Regulations, 2015 and provide status report to the Senate and Auditor General within 90 days of the adoption of this report.

2. Lack of Updated Project Implementation Status Report

Review of records revealed that Management failed to prepare the mandatory monthly progress reports on all procurement contracts. Further the project implementation status report lacked critical details including the contract description, number, value, commencement date, current status, amount paid, and expected completion date. This was in violation of Regulation 140(1) of the Public Procurement and Asset Disposal Regulations, 2020, which requires the head of the procurement function to prepare and submit such detailed monthly reports to the accounting officer.

In the circumstances, the effectiveness of Management in monitoring and control of projects implementation could not be confirmed.

Management Response

The management has been preparing annual project implementation status. Consequently, the procurement unit has been tasked to comply with Regulation 140(1) of the PPADR, 2020 by preparing monthly progress reports

Committee Observation

The committee observed that the management did not prepare progress reports for procurement contracts.

Committee Recommendation

The committee recommends that;

The County Governor to establish a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 and provide status report to the Senate and Auditor General within 90 Days from the date of adoption.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

3. Failure to Update the Bank Account Register

Review of the bank records register revealed that the County Executive maintained two hundred and seventeen (217) bank accounts. However, the register lacked mandatory data elements required by law including bank account types, authorized signatories, account opening dates, specific account purposes, annual account balances and official Treasury approval references. This was contrary to Regulation 87(3) of the Public Finance Management (County Governments) Regulations, 2015, which requires an accounting office to maintain complete, current and approved records of all bank accounts with specified details.

In the circumstances, the effectiveness of Management in the control and safeguarding of the County's bank accounts could not be confirmed.

Management Response

The updated bank account register containing the requisite data elements is provided for your review.

Committee Observation

The committee observed that the management provided an incomplete register.

Committee Recommendation

The committee recommends that office of the Governor to ensure that the bank Account register is fully updated within 90 days after adoption of this report.

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

Basis for Qualified Opinion

1. Inaccuracies in Hospital Fees Amount

The statement of revenue and disbursements reflects Hospital fees amount of Kshs.141,727,701 which represents revenue earned from rendering of services by Kapenguria, Kacheliba, Sigor and Chepareria Hospitals as disclosed in Note 17 to the financial statements. However, review of the respective Hospital's financial statements revealed that, Kapenguria, Kacheliba, Sigor and Chepareria Hospitals earned amounts of Kshs.152,264,971, Kshs.17,628,408, Kshs.10,795,869 and Kshs.8,222,132 respectively as fees for rendering services. This amounted to Kshs.188,911,380 resulting in an unreconciled variance of Kshs.47,183,679.

In the circumstances, the accuracy and completeness of the Hospital fees amount of Kshs.141,727,701 could not be confirmed.

Management Response

Management did not respond to the query

Committee Observations

1. The Committee observed that the management failed to provide supporting documentation to the Auditor-General during the audit exercise, contrary to the principle of accountability and the duty to facilitate audit processes as enshrined in Article 226(2) of the Constitution, which requires Accounting Officers to ensure proper accountability for public funds.
2. This inaction also obstructs the Auditor-General in performing their constitutional mandate under Article 229 and contravenes Section 68(2)(c) of the Public Finance Management Act, 2012, which requires an Accounting Officer to ensure that all financial records are adequately protected and available.

Committee Recommendation

The Committee recommends that the Governor undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with Section 156 of the Public Finance Management Act,

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

2012 (Disciplinary measures against public officers), and submits a status report to the Senate within ninety (90) days from the adoption of this report.

2. Unsupported Revenue Streams Amounts

The statement of revenue and disbursements reflects land rates amount of Kshs.12,415,286 as disclosed in Note 7 to the financial statements. However, the schedules and underlying records indicated an amount of Kshs.10,273,926 resulting in an unexplained variance of Kshs.2,141,360. Similarly, the statement reflects property rent amount of Kshs.12,559,412 as disclosed in Note 15 to the financial statements. The amount includes plot rent revenue amount of Kshs.6,814,000 which was not supported by ledgers, tenant roll or rent collection records.

In the circumstances, the accuracy and completeness of the reported revenue amounts of Kshs.8,955,360 could not be confirmed.

Management Response

The variance of Ksh 2,141,360 represents uncollected land rates but which billing had already been made. Under accrual method this amount is recognized as revenue for the period under consideration. Similarly, the amount of Ksh 6,814,000 relates to plot rent billed in the period but not collected in the same period. This represents the accounts receivables for the respective revenue streams.

Committee Observation

The Committee observed that the reported revenue from land rates and plot rent could not be confirmed due to an unexplained variance and a lack of supporting records such as ledgers and tenant rolls. This failure contravenes Section 68(2)(b) of the Public Finance Management Act, 2012, which mandates the Accounting Officer to ensure the entity keeps financial and accounting records that comply with the Act.

Committee Recommendation

The Committee recommends that the Governor ensures compliance with Regulation 83(2)(f) of the Public Finance Management (County Government) Regulations, 2015. The Accounting Officer must ensure adequate books of accounts are kept relating to revenue collection and management, including maintaining accurate tenant rolls and ledgers for all revenue streams, and report to the Senate on the implementation of these measures within ninety (90) days after the adoption of this report.

3. Non-Compliance with International Public Sector Accounting Standards (IPSAS)

The cover page of the financial statements contains information that implies that the financial statements have been prepared in full compliance with accrual basis of International Public Sector Accounting Standards. It also contains information that the financial statements are transitional and therefore not fully compliant with the International Public Sector Accounting Standards. Further, the Receiver of Revenue has not disclosed the elements of the financial statements that have not been recognized and the steps being taken towards full compliance with the accrual basis of International Public Sector Accounting Standards.

In the circumstances, the reliability and transparency of the financial statements could not be confirmed.

Management Response

The financial statements have been prepared in accordance with the Accrual Basis of Accounting Method which is being implemented in phases. The method is still under transition period until 30th June, 2027 when it will be fully adopted.

Committee Observations

1. The Committee observed the misapplication of IPSAS 33 on the transition to the Accrual Basis of Accounting, which affected the transparency and reliability of the financial statements as required by Article 226(1) of the Constitution.
2. This non-compliance undermines the objective of the Public Finance Management Act to ensure transparent financial management and standard financial reporting, as outlined in Section 12(1)(e) of the PFM Act, 2012.

Committee Recommendation

The Committee recommends that Management adjust the financial statements in full compliance with IPSAS accrual requirements and adhere to Treasury Circular No. 03/2025 on guidelines for the transition from cash to accrual basis of accounting, issued on 14th April 2025, as mandated by the Public Sector Accounting Standards Board under Section 194 of the Public Finance Management Act, 2012.

Emphasis of Matter

Budgetary Control and Performance

The statement of statement of comparison of budget and actual amounts reflects revenue

PAPER	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

budgeted amount of Kshs.230,000,000 against actual revenue amount of Kshs.227,402,013 resulting in revenue under-collection of Kshs.2,597,987 or 1% of the budgeted revenue. The own source revenue potential for West Pokot County is Kshs.2.5 Billion as per the Commission on Revenue Allocation Report of June 2022. The Receiver of Revenue failed to collect adequate resources to fund the County's programmes which may have resulted in poor service delivery to the public.

Management Response

The management acknowledges the revenue collection shortfall; however, this is the highest collection closer to the estimate ever raised by the county.

The management will continue to strengthening revenue enforcement, expand the revenue base and enhance automation of revenue collection as a commitment to ensuring revenue targets are met to support service delivery and implementation of planned programmes.

Committee Observation

The Committee observed that the county executive did not meet its own-source revenue collection targets, hampering budget implementation. This contravenes the fiscal responsibility principles in Section 107(2)(a) of the Public Finance Management Act, 2012, which requires a county's recurrent expenditure not to exceed its total revenue, a principle made unattainable by persistent revenue shortfalls

Committee Recommendation

The Committee recommends that; -

1. The National Treasury ensures the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate, as required under Section 17(6) & (7) of the Public Finance Management Act, 2012.
2. The County Executive puts in place immediate and effective measures to enhance its own-source revenue generation, addressing identified shortfalls and ensuring budget credibility as required by the fiscal responsibility principles in the PFM Act, 2012 and Regulation 25 of the PFM (County Government) Regulations, 2015.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

The management stated that in accordance with **Article 229(6) of the Constitution of Kenya**, and based on the audit procedures performed, nothing has come to my attention to indicate that public resources have not been applied lawfully, efficiently, and effectively.

The audit was conducted in accordance with **ISSAI 3000** and **ISSAI 4000**, which require compliance with ethical requirements and planning and performing the audit to obtain reasonable assurance that the activities, financial transactions, and information reflected in the financial statements comply, in all material respects, with the authorities governing them.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Lack of Formal System Commissioning and Hand-Over.

Review of the Automated Revenue Collection System project revealed that the system had not been formally commissioned nor officially handed over. There was no evidence of contractual acceptance, documented sign-off or formal transfer of operational responsibility, with the vendor continuing to retain control and exclusive superuser rights.

In the circumstances, the County faces significant risks including loss of system ownership and control, exposure to data manipulation and fraudulent activities.

Management Response.

The management acknowledges absence of formal commissioning and hand-over. The project implementation adopted in the original contract entailed four phases. The contract is pending completion of final acceptance tests. This final phase of the project has not been completed since the vendor has not been fully paid hence affecting the formal system hand over & commissioning.

The County has initiated the formal commissioning process, including User Acceptance Testing (UAT), contractual acceptance documentation, and operational hand-over also Superuser rights are being migrated to County ICT officers under joint supervision. A formal commissioning report is currently being prepared for sign-off by both parties once all the modules have been implemented. The budget provision to fully settle the final account of the contract has been provided under FY 2025-2026 supplementary I budget estimates.

PAPER	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observation

The Committee observed that the Automated Revenue Collection System had not been formally commissioned or handed over, exposing the County to significant fiduciary and operational risks. This exposes public resources to risks of loss, contrary to the Accounting Officer's duty under Section 68(2)(a) of the Public Finance Management Act, 2012, to ensure that all resources are used in a way that is lawful, authorized, effective, efficient, economical, and transparent.

Committee Recommendation

The Committee recommends that the County Executive expedites the formal commissioning and handover of the Automated Revenue Collection System, including the execution of documented acceptance certificates and transfer of full administrative and superuser rights to the County, in line with standard procurement and asset management principles enshrined in Article 227 of the Constitution and the Public Procurement and Disposal Act.

2. Exclusive Administrative Control Retained by the Vendor

Review of system administration controls on the revenue collection system revealed that the vendor maintained exclusive administrative control as superuser over the application, database and source codes, making operational oversight and independent audit dependent on vendor support. This arrangement contravenes Information and Communication Technology Authority (ICTA) principles vendor management standards which mandate clear ownership and source code escrow provisions.

In the circumstances, the County faces risks of vendor lock-in preventing system independence, inability to verify data integrity or security configuration, and business continuity failure if vendor support ceases.

Management Response

The County is implementing a structured access control matrix to ensure administrative rights are transferred to County ICT administrators. The vendor has agreed to lodge source code escrow with a licensed escrow agent as required by ICTA standards. System monitoring privileges are being transitioned to the County. The above agreement has been reached after the County agreed to pay the vendor upon completion of the remaining modules.

Committee Observation

The Committee noted that the vendor retained exclusive superuser control over the system, limiting the County's ability to independently manage and audit it. This violates the Accounting Officer's responsibility to ensure effective systems of internal control and to safeguard public assets as stipulated in Section 68(2)(b) and (e) of the Public Finance Management Act, 2012.

Committee Recommendation

The Committee recommends that the County Governor reviews and renegotiates the system contract to ensure full transfer of administrative control, including superuser rights, to the County, and implements source code escrow arrangements to guarantee system ownership and operational independence in line with ICT Authority standards.

3. Over-Dependency on the Vendor

Audit review of system support arrangements revealed critical over-reliance on the vendor for administration, support and back-end processes, creating a single point of failure for revenue collection operations. This dependency violates the Public Finance Management Act, 2012 and ISO/IEC 27001:2013 (A.17.1.1) requirements for continuity planning.

In the circumstances, the County risks total revenue collection disruption if the vendor withdraws services.

Management Response

ICT officers have been assigned for capacity building and system knowledge transfer. A Skills Transfer Plan is under implementation to ensure multiple County staff can independently manage critical functions. Development of internal Standard Operating Procedures (SOPs) for system administration is underway.

Committee Observation

The Committee noted that the County was excessively dependent on the vendor for critical system operations, creating a single point of failure. This over-reliance contravenes the requirement for business continuity and prudent risk management under Section 68(2)(f) of the Public Finance Management Act, 2012 and the fiscal responsibility principles in Section 107(2)(f) of the same Act, which requires that fiscal risks be managed prudently.

Committee Recommendation.

The Committee recommends that the County Governor to ensure the establishment of adequate internal capacity and develop a comprehensive Business Continuity

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Plan and Disaster Recovery Plan, as required by Section 68(2)(j) of the Public Finance Management Act, 2012, to minimize vendor dependence. The Office should submit a status report to the Auditor-General and the Senate within ninety (90) days.

4. Lack of Change Management and System Control

Review of change management processes revealed that while some changes were documented, the documentation was incomplete without user acceptance sign-off, testing evidence or approved scheduling. No formal change control framework governed authorization, testing, and validation before production deployment. This contravenes ICT Authority (Kenya) ICT Standards 2016 and ISO/IEC 27001:2013 (A.12.1.2)

In the circumstances, the absence of proper controls may expose the system to vulnerabilities through unauthorized changes, operational disruptions and revenue leakages.

Management Response

A formal Change Management Policy aligned with ICTA and ISO 27001 standards is being finalized, all changes will undergo documented approval, testing, validation, and post-implementation review. A Change Advisory Board (CAB) will be established to authorize and track changes.

Committee Observation

The Committee observed a lack of a formal change control framework, with incomplete documentation for system changes. This contravenes the accounting officer's duty to ensure that effective internal controls, systems, and standards are followed as per Section 68(2)(e) of the Public Finance Management Act, 2012 and the ICT Authority (Kenya) ICT Standards 2016.

Committee Recommendation

The Committee recommends that the County Governor to urgently implement a formal Change Management Policy aligned with ICT Authority and ISO/IEC 27001:2013 standards, ensuring all changes undergo documented approval and testing. A status report must be provided to the Auditor General and the Senate within ninety (90) days from the adoption of this report.

5. Lack of Backup Testing and Restoration

Review of backup procedures revealed that while backup logs existed, no documented evidence showed restoration testing, validation procedures or County oversight to confirm backup

functionality during system failure. This contravenes Article 201(a & d) of the Constitution of Kenya, Section 25 of the Data Protection Act, 2019 and ICT Authority Backup Guidelines. In the circumstances, the County faces risks of permanent loss of critical revenue records, inability to recover from system failure and compromised evidence for fraud investigations.

Management Response

The County has instituted & scheduled quarterly restoration tests to validate backup integrity, by establishing a Backup restoration site at the Governors building. Backup oversight roles are being assigned to ICT and Internal Audit for verification. A Backup and Restoration Procedure will be documented and adopted.

Committee Observation

The Committee noted the lack of documented restoration testing and validation procedures for system backups, exposing the County to permanent loss of critical records. This failure violates the Accounting Officer's responsibility to ensure all financial records are adequately protected and backed up, as mandated by Section 68(2)(c) of the Public Finance Management Act, 2012, and the data security requirements of Section 25 of the Data Protection Act, 2019.

Committee Recommendation

The Committee recommends that the Accounting Officer ensures a documented Backup and Restoration Procedure is adopted and that quarterly restoration tests are conducted to validate backup integrity, in compliance with Section 68(2)(c) of the PFM Act, 2012 and ICT Authority Backup Guidelines.

6. Lack of Business Continuity and Disaster Recovery Framework

Review of continuity planning revealed no documented Business Continuity Plan or Disaster Recovery Framework for the revenue collection system, with management acknowledging this deficiency. This violates Article 201(d) of the Constitution of Kenya, Section 68(2)(j) Public Finance Management Act, 2012 and ICT Authority Standards.

In the circumstances, the County risks extended revenue collection downtime, loss of citizen trust and undermined County control and authority.

PAPER	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

Development of the County Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) for the revenue system is underway. A Disaster Recovery site at the Governors building with servers and strong internet connectivity has been established. Also, Periodic drills will be implemented once the DRP is operational.

Committee Observation

The committee noted the absence of a Business Continuity Plan or Disaster Recovery Framework for the revenue system. This violates the explicit requirement in Section 68(2)(j) of the Public Finance Management Act, 2012 for an accounting officer to prepare a strategic plan and ensure business continuity, as well as the principle of prudent financial management in Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that:

1. **The Accounting Officer develop, document, and implement a comprehensive Business Continuity Plan and Disaster Recovery Framework as required by Section 68(2)(j) of the PFM Act, 2012.**
2. **The Committee further recommends that the Auditor-General closely monitor the implementation of these measures in subsequent audit cycles.**

7. Failure to Maintain Approved and Updated Valuation Roll.

Review of property rate administration revealed that the County maintained an outdated valuation roll contrary to statutory review requirements, leading to inaccurate property rate assessments and revenue loss. This contravenes Valuation for Rating Act (Cap. 266) and National Rating Act, 2024 which require counties to update valuation rolls every five years.

In the circumstances, the County faces risks of significant revenue loss from property undervaluation, unfair and inconsistent tax burdens across properties.

Management Response

The County is currently in the process of procuring professional valuation services to develop an updated valuation roll as required under the National Rating Act, 2024. Public participation and approval processes will follow thereafter. The management had requested Senate Public Accounts Committee for time to complete the process. The process will be concluded within a period of one year due to procurement related challenges.

Committee Observation

The Committee noted that the County's reliance on an outdated valuation roll has resulted in inaccurate property rate assessments and significant revenue loss, undermining the constitutional principle of equitable sharing of benefits from resources (Article 201(b)(ii)).

Committee Recommendation

The committee recommends that the Governor prioritizes the preparation, approval, and implementation of an updated valuation roll in full compliance with the Valuation for Rating Act (Cap. 266) and the National Rating Act, 2024, and establishes a structured mechanism to ensure future updates are conducted within the statutory five-year cycle.

8. Lack of Legally Established Revenue Management Board.

Review of revenue governance structures revealed that the County had not constituted the mandatory Revenue Management Board, with revenue administration handled solely by the Treasury Revenue Department without proper oversight. This failure contravenes the County Revenue Administration Act and respective County Finance Acts.

The absence of a formal governance body risks statutory non-compliance, unchecked vendor influence, weak system oversight, ineffective financial stewardship, increased fraud susceptibility, and reputational damage.

Management Response

The management has initiated the process of constituting the Revenue Management Board as required by law. A draft gazette notice has been prepared and is awaiting approval. Once established, the Board will oversee revenue administration and governance.

Committee Observation

The committee noted that the County Executive had not constituted a Revenue Management Board as required by law. This failure contravenes specific statutory requirements (County Revenue Administration Act) and undermines the establishment of proper governance structures needed for effective financial oversight as implied by the Accounting Officer's responsibilities under Section 149 of the PFM Act, 2012.

Committee Recommendation

The County Governor must urgently constitute a Revenue Management Board as required by the County Revenue Administration Act to strengthen system oversight, ensure

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

financial accountability, and enhance revenue collection, reporting progress to the Auditor General and the Senate within 90 days.

9. Lack of Formal Policy on Invoice Cancellations, Amendments and Reversals

Review of invoice management controls revealed no formal policy or documented procedures governing invoice cancellations, amendments or reversals, relying on informal approval practices without system-enforced controls. This contravenes Public Finance Management Act, 2012 and ICT Authority Guidelines.

In the circumstances, the County faces risks of inconsistent approvals enabling manipulation, revenue misstatement, weak accountability and increased fraud risk through uncontrolled transaction changes.

Management Response

The management is developing a Revenue Adjustment Policy to govern invoice cancellations, reversals, and amendments. System workflows will be updated to enforce mandatory approvals and automated audit trails.

Committee Observation

The Committee observed that the County lacks a formal policy governing invoice adjustment, relying on informal practices without system-enforced controls. This is inconsistent with Section 68(2)(e) of the Public Finance Management Act, 2012, which requires the accounting officer to ensure that all applicable accounting and financial controls and procedures are followed, creating a material weakness in internal control.

Committee Recommendation

The Committee recommends that the County Government urgently develops, approves, and implements a formal policy and standard operating procedures governing invoice adjustments, in line with Section 68 of the PFM Act, 2012, and reports to the Senate within 90 days.

10. Lack of Independent Review and Sign-Offs of System Logs.

Review of system monitoring revealed that system and database logs remained under vendor administration without independent County review, validation or formal sign-off, with no

established log management policy. This contravenes Kenya Data Protection Act, 2019 Section 25, Public Audit Act, 2015 and ICT Authority Guidelines.

In the circumstances, the County risks undetected unauthorized activities, compromised accountability and non-repudiation, inadmissible evidence for investigations and vendor conflict of interest concealing irregularities.

Management Response

The management is developing a Log Management Policy aligned with ISO 27001 and ICTA requirements. System log access is being transferred to County ICT security administrators. Monthly log review and sign-off procedures will be instituted.

Committee Observation

The committee observed that system logs were managed solely by the vendor without independent County oversight, contravening the Accounting Officer's duty to ensure that financial and accounting records are adequately protected and that effective internal controls exist (Section 68(2)(c) and (e) of the PFM Act, 2012). This also exposes the County to risks of undetected unauthorized activities, compromising the integrity of audit trails.

Committee Recommendation

The Committee recommends that the County Executive establish and implement a comprehensive Log Management Policy aligned with Section 25 of the Data Protection Act, 2019, take full administrative control of system monitoring functions, and ensure regular independent review and validation of logs by authorized County officers to strengthen transparency and accountability.

11. Inactive System User Accounts.

Review of user access management revealed that three (3) inactive accounts (test1, county and admc) remained active in the revenue collection system despite not being in use. This contravenes Section 68 of the Public Finance Management Act, 2012 and ISO/IEC 27001:2013 (A.9.2.1).

In the circumstances, continued presence of inactive accounts risks unauthorized exploitation for fraud, weakened audit trail reliability, potential revenue leakage, and inefficient user access management.

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DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

The inactive accounts identified were disabled way back in 2022, we couldn't remove them in the event audit could be instituted on these accounts. A quarterly User Access Review process has been institutionalized.

Committee Observation

The committee observed that inactive user accounts remained active, contravening the Accounting Officer's duty to ensure effective internal control systems as per Section 68(2)(e) of the Public Finance Management Act, 2012. The continued presence of such accounts creates risks of unauthorized access, fraud, and weakened audit trail reliability, which are violations of basic internal control principles.

Committee Recommendation

The Committee recommends that the County Executive for Finance immediately deactivate all inactive user accounts and establish periodic user access reviews. This must be done to enforce strong access control procedures in compliance with Section 68 of the PFM Act, 2012 and the requirements of ISO/IEC 27001:2013 to strengthen system security and accountability.

12. Failure of Revenue System to Generate Invoices.

Review of system functionality revealed that the revenue system lacked invoice generation capability for movement permits and land rates streams, contrary to contractual requirements for all 37 revenue streams. This contravenes Section 68 of the Public Finance Management Act, 2012 and ICT Authority Standards for system functionality.

In the circumstances, the County faces risks of contractual breach with vendor, compromised revenue documentation integrity, and fraud/leakage opportunities through unverified collections.

Management Response

The system is in a position of generating invoices as per the evidences provided.

Committee Observation

The committee observed that the revenue system lacked invoice generation capability for specific revenue streams, contrary to contractual specifications. This failure compromises the integrity of the revenue documentation and contravenes the accounting officer's responsibility to ensure that systems are in place to safeguard public assets and revenue, as per Section 68 of the PFM Act, 2012.

Committee Recommendation

The Committee recommends that the County Executive for Finances ensures the Automated Revenue Collection System is upgraded and fully configured to support invoice generation for all intended revenue streams, in accordance with the contractual specifications and the public procurement and asset disposal principles outlined in Article 227 of the Constitution.

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

Basis for Qualified Opinion.

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DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

1. Unsupported Transfers from Receiver of Revenue Amounts

The statement of financial performance reflects own source revenue (transfers from the ROR) totaling Ksh.108,471,217 as disclosed in Notes 9 and 10 to the financial statements which includes land rates amount of Ksh.12,415,286. Similarly, the statement of revenue and disbursements in the revenue statements of the Receiver of Revenue reflected collection land rates amounting to Ksh.12,415,286 as disclosed in Note 7 to the revenue statements. However, the schedules and underlying records reflected an amount of Ksh.10,273,926 resulting in an unexplained variance of Ksh.2,141,360. Further, the statement reflected property rent amount of Ksh.12,559,412 as disclosed in Note 15 to the revenue statements. The amount included plot rent revenue amount of Ksh.6,814,000 which was not supported by ledgers, tenant roll or rent collection records.

In the circumstances, the accuracy and completeness of the transfers from the ROR totaling Ksh.108,471,217 could not be confirmed.

Management Response

The variance of Ksh. 2,141,360 represents uncollected land rates but which billing had already been made. Under accrual method this amount is recognized as revenue for the period under consideration. Similarly, the amount of Ksh. 6,814,000 relates to plot rent billed in the period but not collected in the same period. This represents the accounts receivable for the streams.

Committee Observations

1. The Committee observes that the management's response, citing the application of the accrual basis of accounting, does not address the core audit finding. Article 226 of the Constitution obligates public officers to be accountable and to ensure that public funds are applied for the purposes intended.
2. The Auditor-General's qualified opinion arose not from the timing of revenue recognition, but from the inability to confirm the accuracy and completeness of revenue totalling Kshs.108,471,217 due to:
 - (a) An **unexplained variance of Kshs.2,141,360** between the financial statements and underlying records for land rates, which violates the principle of faithful representation required by the PFM Act, 2012.
 - (b) A **complete lack of supporting documentation** (ledgers, tenant rolls, collection records) for plot rent revenue amounting to Kshs.6,814,000.
3. This failure to maintain proper records and reconcile revenues constitutes a breach of the accounting officer's fiduciary duty as enshrined in the Constitution and elaborated in

Section 149 of the PFM Act, 2012. A mere explanation of accounting methodology is insufficient when the fundamental records to support that methodology are absent or unreliable.

Committee Recommendations

The Committee recommends that:

1. Pursuant to Section 156 of the Public Finance Management Act, 2012, the County Governor, in exercise of its power of direction, must take administrative action against the County Executive Committee Member for Finance and the Chief Officer responsible for failing to maintain proper books of account and for not availing critical documents to the Auditor-General, as is their legal duty.
2. A status report on the action taken, including the names and sanctions of the officers involved, shall be submitted to the Auditor-General and Senate within ninety (90) days of the adoption of this report.
3. In accordance with Regulation 143 of the Public Finance Management (County Governments) Regulations, 2015, the County Executive Committee Member for Finance, is hereby directed to conduct a formal investigation into the variance and the missing documentation to establish whether a loss of public funds occurred.
4. If the investigation establishes any loss, the Governor is mandated to initiate surcharge proceedings against the responsible officer(s) as provided for under Section 203(2) of the Public Finance Management Act, 2012. A status report on the investigation and any surcharge actions must be submitted to the Senate within ninety (90) days.
5. Given that the failure to provide records and the existence of an unexplained variance may point to corrupt conduct, the Ethics and Anti-Corruption Commission (EACC) is hereby mandated to conduct its own independent investigation into the matter. The investigation should focus on potential violations of Chapter Six of the Constitution on Leadership and Integrity, as well as offences stipulated under Section 62 of the Public Audit Act, 2012. A status report on the investigations and any subsequent actions shall be submitted to the Senate within ninety (90) days from the adoption of this report.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget actual amounts reflects budgeted receipts of

PAGE	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Kshs.7,887,668,708 against an actual receipt amount of Kshs.7,394,153,336 resulting in unrealized revenue amount of Kshs.493,515,272 or 6% of the total budget. Further, out of the available funds amounting to Kshs.7,394,153,336, only an amount of Kshs.7,237,655,511 was transferred to the county entities leaving a balance of Kshs.156,497,825 or 2% of the available funds undisbursed.

In the circumstances, the unrealized revenue directly constrained the County's capacity to implement planned development projects and maintain essential services.

Management Responses

The funds were received late in the financial year under review and therefore could not be disbursed on time.

Committee Observations

The Committee observed that; -

- 1) The county government's budget implementation was hampered by a combination of factors representing a failure in both intergovernmental relations and local revenue administration.
- 2) The explanation that funds were received late from the National Treasury points to a failure by the National Treasury to adhere to its own disbursement schedules, which undermines the constitutional principle of timely, predictable, and equitable transfer of resources to counties as envisioned in Article 219 of the Constitution.
- 3) The unrealized revenue of Kshs.493,515,272 (6% of the total budget) is attributable to the county executive's failure to meet its own-source revenue collection targets. This underperformance violates the fiscal responsibility principle in Section 107(2)(a) of the PFM Act, 2012, which requires that expenditure aligns with approved budgets. This persistent challenge of revenue shortfall directly constrains the county's capacity to implement development projects, thereby potentially infringing on the economic and social rights of its citizens under Article 43 of the Constitution.

Committee Recommendations

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, 2012; and**

4. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.

CHAPTER SIX

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

The Governor of Kwale County Executive Hon. Fatuma Achani appeared before the Committee on Wednesday, 4th February, 2026 to respond (under oath) to audit queries raised in the Reports of the Auditor General on Financial Statements for County Executive, Receiver of Revenue and County Revenue Fund for Kwale County in the Financial Year 2024/2025.

	PAGE	41
DATE		
TABLED BY		
COMMITTEE		
CLERK AT THE TABLE		

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

Basis of Qualified Opinion

1.0 Unsupported and Inaccurate Employee Costs

The statement of financial performance and Note 9 to the financial statement reflect employee costs of Kshs. 3,560,878,899, out of which an amount of Kshs. 31,254,004 was paid to members of staff as salary arrears in the year. However, the expenditure was not supported by approvals to show the nature and the period to which the expenditure related.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs. 3,560,878,899 could not be confirmed.

Management Response

The management submitted that the following circumstances warranted the payment of salary and allowances in arrears;

1. Payment of Telephone Allowance. This allowance was introduced to the payroll to facilitate payment of income tax since it was considered by Kenya Revenue Authority (KRA) as an employment benefit subject to employers' benefit if it exceeded Kes 2,500.00. This move was meant to cushion the county government from penalties by the tax authority. The allowance was budgeted for by each department and was authorized by the respective accounting officer.
2. System error. E.g. during system migration in December 2024, several allowances were either underpaid, overpaid and some were totally omitted. To correct this anomaly, arrears payment was done.
3. Backdated Promotion effective date. The difference in earnings for the period since the effective date as per the County Public Service Board (CPSB) communication and the officer's current earnings was paid as arrears.
4. Late onboarding of a new officer. The process of getting a new Unified Payroll Number (UPN) for a new officer or reactivation of an old payroll number took some time, sometimes up to several months. Once the number was available and the officer was onboarded, payment of salary and allowances for the period since the officer reported for work was paid as arrears.
5. Correcting error of omission of an allowance. Non-practicing allowance for Doctors and Commuter Allowance for officers above Job Group R had to be inputted manually in the Human Resource Information System (HRIS). If this was not done, the officers missed the allowance, and to correct this, the officers were paid arrears.

6. Reinstatement of an officer's salary after it was stopped or while on interdiction receiving zero or half salary. The officer's dues for the period serving the disciplinary matter were paid back as arrears.

All these payments could be proved through the payslips, letters of appointment, reinstatement, promotion, complaints from the staff, and approvals from the accounting officer were provided.

Committee Observations

1. The Committee observed that the County Executive incurred employee costs amounting to Kshs. 3,560,878,899, including salary arrears of Kshs. 31,254,004, contrary to the principle of prudent and responsible use of public money enshrined in Article 201(d) of the Constitution.
2. The failure to provide supporting approvals for these arrears constitutes a violation of Section 68(2)(b) of the Public Finance Management Act, which mandates an accounting officer to ensure that the entity keeps financial records that comply with the Act

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor, in his capacity as the chief executive, ensures that administrative action is commenced against the responsible accounting officer(s) and other officers for failing to maintain and produce supporting documentation during the audit, in accordance with the disciplinary procedures outlined in Section 74 of the Public Finance Management Act, 2012. A status report on this action shall be submitted to the Office of the Auditor-General within ninety (90) days of the adoption of this report.**
- 2) **The County Executive Committee Member for Finance ensures strict adherence to Section 68(2)(b) of the Public Finance Management Act, 2012, by maintaining a complete and accurate trail of documentation for all employee-related expenditures to facilitate future audits**
- 3) **The Auditor-General verifies the implementation status of these recommendations and submit a status report to the Committee within ninety (90) days from the date of adoption of this report.**

2.0 Unsupported Expenditure on Other Grants and Subsidies

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

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DATE	
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COMMITTEE	
CLERK AT THE TABLE	

how the amounts received were spent, from the VTCs prepared by the Board as per Section 41 and 42 of the Kwale County Vocational Training Institutes Act, 2017.

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

Management Response

Management submitted that the audit was conducted in May and June 2025, at a time when the timelines for submission of receipts and expenditure reports by the VTCs Boards had not lapsed, as outlined in Sections 41 and 42 of the Kwale County Vocational Training Institutes Act, 2017. Management further stated that all VTCs Boards submitted their annual reports detailing receipts and expenditures in July 2025.

Management also explained that the Kshs. 10,000,000 grant was accessed from the Exchequer in the FY 2025/2026, and that expenditure relating to this grant will be reported at the end of the financial year.

The management provided consolidated receipts and payments report for all VTCs, copies of individual VTCs' quarterly receipts and payments report, bank statements, and a copy of the Kwale County Vocational Training Institutes Act, 2017.

Committee Observations

1. The Committee noted the management failed to submit accountability VTC reports during the audit period, violating Regulation 104(1) of the PFM (County Governments) Regulations and Sections 41 and 42 of the Kwale County Vocational Training Institutes Act.
2. The Committee observed that the County Executive disbursed grants of Kshs. 30,000,000 to Vocational Training Colleges (VTCs) without obtaining accountability reports from the recipient boards, contrary to Sections 41 and 42 of the Kwale County Vocational Training Institutes Act, 2017.
3. The failure to enforce accountability for public funds transferred to other entities contravenes the accounting officer's responsibility under Section 149(2)(d) of the Public Finance Management Act, 2012, which requires enforcing compliance with prescribed conditions when giving financial assistance.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor initiates administrative action against the Chief Officer responsible for failing to enforce the accountability framework for grants disbursed to VTCs, as prescribed by Section 156 of the Public Finance Management Act, 2012. A status report shall be submitted to the Office of the Auditor-General within ninety (90) days of the adoption of this report;
- 2) The CECM for Finance to ensure timely submission of all supporting records during the audit process in compliance with Section 9(1)(e) of the Public Audit Act; failure to comply will trigger investigation and prosecution under Section 62(2);
- 3) The County Executive Committee Member for Finance ensures compliance with Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015, by mandating that all grant recipients submit timely and complete financial and non-financial performance reports as a precondition for future disbursements; and
- 4) The Auditor-General to verify implementation status and submit a status report to the Committee within ninety (90) days from the date of adoption of this report.

3.0 Unsupported Voided Transactions

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

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

Management Response

Management explained that the voiding of the transactions was necessitated by a change in the banking system by the Central Bank of Kenya, as the new system did not carry forward any uncleared transactions from the previous system. Management stated that the County sought approval to void the transactions so that they could be processed afresh once the new system was rolled out.

Management further explained that the transactions had not been submitted to the Controller of Budget for funds requisition and, therefore, the required requisitions could not be provided at the time of audit. The transactions were subsequently processed and the necessary approvals obtained.

PAPERS L	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management provided supporting documents, including payment vouchers and requests to void the payments from the respective departments, were availed and are attached. Requests for withdrawal of funds from the National Treasury, approved by the County Treasury, were also availed for review. In addition, a list of the voided transactions, together with the payment reference numbers after subsequent payment, were provided.

Committee Observations

The Committee observed that;

- 1) IFMIS transactions of Kshs. 1,939,611,177 were voided without justifiable cause or formal approvals. This represents a serious failure in financial controls and contravenes the principle of transparent financial management under Article 201(a) of the Constitution.
- 2) The inability of the accounting officer to produce approvals for these voids, as required by Section 149(2)(a) of the Public Finance Management Act, 2012, renders the regularity and accuracy of these transactions unconfirmed.

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, 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 National Treasury, as the administrator of IFMIS, conducts a comprehensive review of the voided transactions to establish the root cause and system weaknesses, and to stipulate measures to prevent recurrence. A report shall be submitted to the Senate within ninety (90) days of adoption of this report
5. 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

6. The Ethics and Anti-corruption Commission investigates the voided transactions to determine whether funds were utilized for purposes approved by the Controller of Budget.

4.0 Budget Overallocation on Trade and Other Payables

The statement of financial position and Note 32 to the financial statements reflect trade and other payable balance of Kshs. 2,956,470,310 (2023/2024 Kshs. 1,931,836,751). Review of the approved budget and work plan for the year revealed that the County Executive was granted approval to spend amount of Kshs. 2,515,659,360 in respect of trade and other payables from previous years out of which an amount of Kshs. 926,145,109 and Kshs. 799,260,715 was paid during the year in respect to recurrent and development payables respectively. However, the existing trade and other payables balance brought forward was lower than the approved allocation resulting to over allocation by an amount of Kshs. 583,822,609 thus compromising budget credibility and authenticity of the expenditure.

In the circumstances, the accuracy and regularity of actual payments of Kshs. 926,145,109 and Kshs. 799,260,715 on recurrent and development payables respectively could not be confirmed.

Management Response

Management explained that the approved budget included projects carried forward in the form of commitments (work in progress) and pending bills uploaded in the IFMIS vote book under the economic item *Domestic Payables from Previous Years* (4130201). Management further stated that the Controller of Budget (COB) used the pending bills vote (4130201) in the vote book to approve payments for both pending bills and pending commitments (WIP) as provided for in the approved budget.

Table 1: Summary of Payments

Item	Amount (Kshs)
COB Withdrawal Approvals	2,515,659,360
<i>Less: Municipalities approval</i>	<i>207,307,587</i>
Executive Approvals	2,308,351,773
Pending Bills paid	<i>1,725,405,825</i>
Commitments paid	<i>582,945,949</i>
Total Payments	2,308,351,773

Source: Kwale County Executive

PAPL	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Table 2: Summary of Itemized Programme Budget

Vote	Item-Source-Programme-	Title And Details	Printed Estimates	Reallocation	Supp. Estimates	Approved Estimates (Net)
3062	4130201-00001001-0102053060-30600001	Domestic Payables - from Previous Financial Years	0	0	166,122,940	166,122,940
3063	4130201-00001001-0102053060-30600001	Domestic Payables - from Previous Financial Years	0	0	398,706,053	398,706,053
3066	4130201-00001001-0305023060-30600001	Domestic Payables - from Previous Financial Years	0	0	142,900,876	142,900,876
3069	4130201-00001001-0502013060-30600001	Domestic Payables - from Previous Financial Years	0	0	267,399,990	267,399,990
3074	4130201-00001001-0704043060-30600001	Domestic Payables - from Previous Financial Years	0	0	8,953,032	8,953,032

Source: Kwale County Executive

Table 3: Pending Bills and Commitments

Approved Budget Figures on Pending Bills and Commitments (As Per Attached Budget Extract)

Department	Pending Bills	Pending Commitments	Total (As Per Vote Book and Approved Budget)
3062 Agriculture	72,622,437	93,500,503	166,122,940
3063 Environments	10,825,020	387,881,033	398,706,053
3066 Trade	995,252	141,905,624	142,900,876
3069 Education	136,210,554	131,189,436	267,399,990
3074 Public Service & Administration	-	8,953,032	8,953,032

Source: Kwale County Executive

Committee Observations

The Committee observed that the County Executive over-allocated funds for pending bills by Kshs. 583,822,609 against the actual brought-forward balance, which undermines budget credibility. This contravenes the principle of fiscal responsibility in Article 201 of the Constitution and the requirement in Section 104(1)(c) of the Public Finance Management Act, for the County Treasury to coordinate budget preparation accurately.

Committee Recommendations

The Committee therefore recommends that:

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

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

6. that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;
7. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and

The Committee further recommends that—

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

5.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs. 13,530,153,955 and Kshs. 7,390,741,758 resulting to under realization of Kshs. 6,507,644,021 or 45% of the budgeted. Similarly, of the realized receipts of Kshs 7,390,741,758 the County spent Kshs. 7,187,995,276 resulting to under expenditure of Kshs. 202,746,482 or 3% of the receipts.

The budget under performance and underutilization may have affected the planned activities and impacted negatively on service delivery to the residents of Kwale County.

Management Response

Management explained that the underutilization of expenditure was due to late disbursement of funds and grants that were not received.

Committee Observations

The Committee observed a significant under-performance in revenue collection (45% shortfall), which adversely affected service delivery. While the under-expenditure is partially attributed to delayed disbursements from the National Treasury, the County failed to mitigate this through enhanced local revenue mobilization, contrary to its obligation under Section 104(1)(d) of the Public Finance Management Act.

Committee Recommendations

The Committee recommends that;

- 1. The National Treasury ensures timely and predictable release of funds to county governments, strictly adhering to the disbursement schedule approved by the Senate, as mandated by Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act; and**
- 2. The County Executive develops and implements measures to enhance its own-source revenue to meet budget targets and cushion against shortfalls from national transfers, in line with the fiscal responsibility principles in Section 107 of the Public Finance Management Act.**

6.0 Unresolved Prior Year's Audit Matters

In the prior year audit report, several issues were raised under the report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the County Executive in 2024/2025 revealed that the following fourteen (14) issues remained unresolved as at 30t June, 2025.

S LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Table 4: Unresolved Prior Year's Audit Matters

No.	Audit Issues
1.	Inaccurate expenditure on acquisition of assets. <i>Resolved. Pending bills and commitments budget has been separated in this financial year budget to ensure accuracy in reporting of expenditure on acquisition of assets.</i>
2.	Unsupported voided transactions <i>Resolved. The voided transactions which had previously been included in pending bills have all been paid.</i>
3.	Irregular charge on the cash vote <i>Resolved. No query on the same in the current audit under review.</i>
4.	Non-Compliance with the law on ethnic composition in recruitment and overall staff composition <i>Management Response</i> <i>Several challenges have contributed to the current situation:</i> <i>The Mijikenda term denotes nine different ethnic communities with relatively similar language dialect inhabiting the coastal area with Digo and Duruma dominantly residing in Kwale County. The remaining seven ethnic communities namely Giriama, Chonyi, Rabai, Ribe, Kauma, Kambe and Jibana are dominant residents of Kilifi, Lamu, Mombasa Counties. The 91.05 percent given for the MijiKenda ethnic cluster simply signifies that County Public Service Board and the County Government at large complied with the law as stipulated above. The Board continuously strives in ensuring that compliance is met.</i> <i>Low applicant diversity: The majority of applications received during the past recruitment exercises have come predominantly from the local community despite the board advertising in national newspapers and the County website.</i> <i>Resignations and refusals of postings: Adverse weather conditions and the remote nature of certain areas within Kwale County have contributed to higher attrition among staff deployed from other regions. In several instances, candidates from outside the County have either declined their appointments or resigned shortly after posting. This has made the board post locals in such areas.</i> <i>In ensuring ethnic compliance in recruitment the Board has adopted strategies that promote diversity, equity and inclusion while adhering to legal and ethnic standards</i>

No.	Audit Issues
	<i>The following strategies are undertaken by the Board in ensuring compliance on inclusion of people from marginalized/minority and diversity in recruitment process:</i> <i>(i). The County Public Service Board has budgeted for a modern HR system that will enhance recruitment, tracking of diversity, monitoring staff turnover and reporting on inclusivity. This system will also allow data-driven decisions to improve diversity outcomes.</i>
5.	Failure to meet recruitment thresholds for persons with disabilities Management response: <i>The County Public Service Board has the desire to recruit people living with disabilities, but this has been met with challenges of not getting applications from this group of people who meet the minimum requisite qualification for the job advertised. The Board has all along encouraged People living with disabilities to apply through its advertisements in the media (see sample of adverts)</i> <i>In this case the Board has never had any deliberate intention to discriminate against people living with disabilities from accessing employment.</i> <i>The County Government strives for inclusion of persons living with disabilities within its workforce, to meet the 5 per cent (5%) thresh hold by taking up the following strategies: -.</i> <i>(i). Sensitizing the community and people living with disabilities on the need to participate in any recruitment process whenever vacant positions are advertised by the County Government. This is done with emphasis that special consideration will be given to any legible candidates who will be seen to meet minimum requisite qualification for the position(s) advertised.</i> <i>(ii). The County Government through the County Public Service Board has put in place flexible application process where candidates have the option of either applying online or manual process by delivering their applications through post or physical delivery. This is to ensure there is total involvement of interested and potential applicants in the recruitment process.</i> <i>(iii). The use of both physical (one on one) and virtual interviews to ensure hundred percent participation of those shortlisted for interviews.</i>

AS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

No.	Audit Issues
6.	Irregular payment to Council of Governors Management Response <i>Resolved. The County Executive has complied with the recommendations of the Senate Committee on Public Accounts, tabled at Senate chambers March 2025 and did not allocate funds towards the activities of the Council. Attached is the current financial year budget. (ANNEX 4a)</i>
7.	Lack of ownership documents for construction of Early Childhood Development Education (ECDE) centers Management Response <i>The County Government has engaged a consultant to undertake the subdivision and transfer process of land to the County Government of Kwale.</i> <i>Attached are copies of the tender notice and notification of award for consultancy services for preparation of public land registration (ANNEX 4b).</i>
8.	Construction of wholesale market at Kombani Management Response <i>The matter has been before court from 09th November 2021; however, the County received a ruling on 21st January 2026 allowing access, occupation and operationalization of the market.</i> <i>(Attached is an update of the court proceedings) (ANNEX 4c)</i>
9.	Proposed construction of Maji Moto Eco Resort Phase III Management Responses <i>The project is now complete (See attached photos of the project, expression of interest and certificate of completion). (ANNEX 4d)</i>
10.	Fruit Processing Plant Phase III <i>Resolved. Phase III is now complete (See attached photos of the project and certificate of completion). (ANNEX 4e)</i>
11.	Incomplete construction of Governor's Residence Management Response <i>This matter is still in arbitration. The County Executive has allocated Kshs 50 million in its budget of 2025-26, towards completion of the Governor's residence. Attached is an approved budget for Fy 25-26 (ANNEX 4f)</i>
12.	Delays in the construction of Twin Workshop in Mwabila Technical and Vocational Training Center Management response

No.	Audit Issues
	<i>The project is complete and in use except for electricity connection. The County Government paid Kenya Power and Lighting Company Ksh. 1,794,532 on 14th October 2025 for electricity connection. The department is now following up with KPLC to ensure that the electricity connection is done as soon as possible.</i> <i>Attached are copies of KPLC quotation, payment voucher, CBK Bank statement and photos for the VTC (ANNEX 4g)</i>
13.	Dormant Bank Account Management Response; <i>Resolved. The polytechnic account was opened for receiving conditional grant for supporting vocational training centers by National Government. The grant was stopped but has been now been reintroduced by the County Government. We have a budget of 46m for the grant this financial year.</i> <i>The gratuity account is used to pay state officers gratuity at the end of each term. ASDSP is also a conditional grant account. The project ended in FY 2023-2024. We have since closed the account as per attached letter to the CBK.</i>
14.	Lack of Approved County Staff Establishment: Management Response <i>The Board was using draft staff establishment and organization structures of the departments however, in its effort to correct the anomaly, the Board approved all the County Government departmental staff establishments and organization structures on 4th October, 2025. See approved staff establishment and organization structures. (ANNEX 4h)</i>

Source: Kwale County Executive

Committee Observations

The Committee observed that fourteen (14) prior-year audit issues remained unresolved, indicating a persistent weakness in governance and internal controls. This failure to implement audit recommendations contravenes Section 31(1)(a) and 53 of the Public Audit Act, 2015, which requires the accounting officer to take action on the Auditor-General's report and submit a status report.

Committee Recommendations

The Committee Recommends that: -

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DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

7.0 Non-Compliance with Facility Improvement Financing Act, 2023

Review of County revenue records for level 4 and 5 hospitals revealed that the five (5) facilities collected Kshs. 203,258,263 and transferred an amount of Kshs. 36,114,817 to the County Revenue Fund. However, only Kshs, 18,973,016 was reimbursed to the hospital leaving a balance of Kshs. 17,141,801. Further, the Facility Improvement Financing (FIF) revenues were deposited into the general county revenue accounts instead of the designated Facility bank accounts. This was contrary to the provisions of Section 20 of the Facilities Improvement Financing Act, 2023 which requires that all revenue collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

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

Management Response

Management explained that prior to the implementation of the Facility Improvement Fund (FIF), hospital revenues were banked into the County Revenue Fund (CRF) together with other revenues in accordance with the Public Finance Management Act. Management further stated that the banking of revenues into the CRF during the period under review was transitional, pending the change of banking details. The facilities have since changed their SHA pay points to individual revenue bank accounts in compliance with the Facility Improvement Fund Act, 2023.

Management indicated that amounts totalling Kshs. 36,354,778.90 were transferred to the County Revenue Fund and that the entire amount was subsequently reimbursed to the respective hospital accounts. Schedules and bank statements were provided.

Committee Observations

The Committee observed that;

1. The Committee observed a serious breach of the law where Kshs. 203,258,263 in facility-generated revenue was deposited into the County Revenue Fund instead of designated facility accounts, as explicitly required by Section 20 of the Facility Improvement Financing Act, 2023.
2. The subsequent failure to fully reimburse Kshs. 5 million to the facilities amounts to an unauthorized use of public funds, for which the responsible officer is personally liable under Section 203 of the Public Finance Management Act.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor initiates surcharge proceedings against the responsible officer(s) for the loss of Kshs. 5,000,000, in accordance with Section 203 of the Public Finance Management Act, 2012, and ensures the full amount is recovered and reimbursed to the affected facilities.**
- 2) **The County Governor ensures a full reconciliation of all facility-generated revenues and provides evidence of recovery to the Auditor-General within ninety (90) days**
- 3) **The Auditor-General to verify implementation status and submit a status report to the Committee within ninety (90) days from the date of adoption of this report.**

8.0 Irregular Drilling of Borehole at the Industrial Park

Review of records revealed that Management engaged a contractor for drilling a borehole at the County Aggregation Park at a cost of Kshs. 1,260,000. However, Management did not have a drilling permit and hydrological survey and National Environment Management Authority (NEMA) approval. This was contrary to the Water Act, 2016 which provides that:

- (1) A person shall not construct or begin to construct a borehole or well without having first given to the Authority notice of his or her intention to do so.
- (2) A person intending to construct a borehole or well shall apply to the Authority for a permit and shall comply with such requirements as may be imposed by the Authority.

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

Management Response

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DATE	
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COMMITTEE	
CLERK AT THE TABLE	

Management explained that the decision to proceed with the borehole was based on several justifications. These included a request by the Accounting Officer and a corresponding response by the contractor. Management further stated that a hydrological assessment report and a drilling permit from the Water Resources Authority have since been obtained. The management provided documents, correspondence between the Chief Officer for Trade and the contractor on the matter for review.

Committee Observations

The Committee observed that;

- 1) The Committee observed that the County Executive proceeded with drilling a borehole at a cost of Kshs. 1,260,000 without obtaining the requisite permits from the Water Resources Authority and NEMA, contrary to Section 2 of the Water Act, 2016. This action constitutes unauthorized and unlawful expenditure, as the accounting officer failed to ensure that all applicable laws were followed, contravening Section 149(2)(a) of the Public Finance Management Act.
- 2) The Hydrological Assessment Report, Water Regulation Authority (WRA) drilling permit, and NEMA Environmental and Social Impact Assessment (ESIA) assessment were all processed and paid for in January 2026, after the borehole was drilled, indicating post-facto regularization and lack of environmental clearance.

Committee Recommendations

The Committee recommends that;

- 1) **The Committee recommends that the County Public Service Board (CPSB) undertake disciplinary action(s) against the responsible officer(s) for authorizing works and expenditures without statutory permits, and submit a compliance report to the Auditor-General within ninety (90) days of adoption of this report.**
- 2) **The Auditor-General to verify implementation status and submit a status report to the Committee within ninety (90) days from the date of adoption of this report.**

9.0 Irregularities in Procurement

9.1 Construction of Roads

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

9.1.1 Mizani – Chengoti – Mtulu Road in Samburu

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

Management Response

Management explained that the error was discovered during the audit, where the professional opinion had captured the wrong contract number, 1371864-2023/2024, instead of 1389111-2023/2024. Management stated that the error was corrected through a memo from the Accounting Officer to the Procurement Officer. Management further clarified that the contract was awarded to the rightfully evaluated lowest bidder, as confirmed by the evaluation minutes.

Management indicated that the supporting documents, including the evaluation minutes, memo from the Accounting Officer to the Procurement Officer, professional opinion, and award letters, were availed for review.

Management provided the details of the projects and their respective evaluated winners as follows:

1. RFQ Tender No: 1389111-2023/2024 Project: Proposed Rehabilitation of Maziani – Chengoni – Mtulu Road in Samburu Chengoni Ward Awarded To: Joseree Enterprises Ltd Contract Sum: Kshs 5,840,600
2. RFQ Tender No: 1371864-2023/2024 Project: Proposed Murraming of Vikolani – Bofu Road in Kasemeni Ward Awarded To: Shaika Ltd Contract Sum: Kshs 5,999,612

Committee Observations

The Committee observed that management provided all necessary supporting documents to the Office of the Auditor-General for verification.

Committee Recommendations

The Committee recommends that the matter be marked resolved.

9.1.2 Mwangwei Majoreni Road

PAPERS L	
DATE	
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COMMITTEE	
CLERK AT THE TABLE	

The balance includes an amount of Kshs. 97,164,481 for the upgrading to bitumen standard of Mwangwei Majoreni Road. The contract between a contractor and Management was dated 19 June, 2024 for a contract period of twelve (12) months ending 19 June, 2025.

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

Further, review of approved Certificate No. 1 dated 16 May, 2025 of Kshs. 70,065,338 revealed that the contract sum per items in the Bill of Quantities were varied upwards by Kshs. 1,818,417 within a duration of twelve months. This was contrary to Section 139 (3) of the Public Procurement and Asset Disposal Act, 2015 which states that no contract price shall be varied upwards within twelve months from the date of the signing of the contract.

Management Response

Management explained that the officially received acceptance letter for the project was dated 12th June 2024. Management stated that the contractor attributed the late submission to receiving the award letter late.

Management further indicated that, in accordance with Section 139(3) of the Public Procurement and Asset Disposal Act, no contract price shall be varied upwards within 12 months from the date of signing the contract, and that no contract price was varied. Management clarified that the contract price under this provision refers to the total amount payable to the tenderer for the full and proper performance of its obligations, which in this case was Kshs 97,164,481.15.

Management noted that although items in the Bill of Quantities were varied both upwards and downwards, the adjustments resulted in an overall saving of Kshs 829,378.20. Management emphasized that the contract price for the project remained unchanged at Kshs 97,164,481.15 throughout the project. The road works have been completed and are currently awaiting installation of road furniture.

Committee Observations

The Committee observed that:

- 1) The winning bidder was accepted after the statutory notification period, and Certificate No. 1 dated 16 May 2025 shows an upward variation of Kshs. 1,818,417 within 12

months without official approvals, in violation of Sections 87(2) and 139(3) of the Public Procurement and Asset Disposal Act (PPADA).

- 2) The road remains incomplete as of February 2026, contrary to Management's claim that it is "awaiting road furniture.

Committee Recommendations

The Committee recommends that;

- 1) The Kenya Institute of Supplies Management (KISM) takes action(s) against the Head of procurement in Kwale County for professional misconduct pursuant to Section 23(1)(d)(i) of the Supplies Practitioner Act 2007 and provides an update to the Office of the Auditor General within ninety (90) days of adoption of this report.**
- 2) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015; and**
- 3) The County Governor to complete the installation of road furniture and submit a completion certificate to the Auditor General within ninety (90) days from the date of adoption of this report.**
- 4) The Auditor-General to verify implementation status and submit a status report to the Committee within ninety (90) days from the date of adoption of this report.**

9.1.3 Vinuni- Tiwi Sokoni Road

The balance includes an amount of Kshs. 226,138,863 for the upgrading to Bitumen Standards of the Vinuni-Tiwi Sokoni Road. The contract between a contractor and Management was for a period of one (1) year ending on 9 January, 2025. Review of the bill of quantities indicated that the contractor did a variation of prices of Kshs. 24,368,412 being 15% of the quoted measured works. This was contrary to Section 139 (3) of the Public Procurement and Asset Disposal Act, 2015 which states that no contract price shall be varied upwards within twelve months from the date of the signing of the contract.

In addition, Management approved the extension of the contract time from 9 January, 2025 by one hundred and ninety-six (196) days with no extra cost to the employer. However, review of certificate No. 1 raised on 14 June, 2024 of Kshs. 49,363,364 and certificate No. 2 issued on 28 April, 2025 of Kshs. 72,500,104 indicated that the contractor had varied the price of bill No. 1 on preliminaries from Kshs. 26,858,955 to Kshs. 36,673,392 before taxes due to the change in contract period leading to unapproved variation by Kshs. 9,814,437 and noncompliance with the terms of the extension of the contract duration.

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COMMITTEE			
CLERK AT THE TABLE			

Management Response

A provision of 15% of the total price for Variation of prices was a security to cater for any unforeseen circumstances which might lead the contract to run beyond 12 months. The bidders were notified through the attached Tender data sheet (TDS-ITT 14.5) that no price variations shall be allowed during performance of contract until 12 months have elapsed.

The difference of Kshs. 9,814,437 in bill number 1 consists of two components; Kshs. 4,943,902.52 for unforeseeable relocation of services which was catered for by contingency funds and Kshs. 4,870,534.48 for items in bill 1 (preliminaries and general items) which automatically attract a cost overrun after project extension since they are billed on monthly basis. The terms of contract extension were adhered to since the original contract price of Kshs. 226,138,863 was maintained.

The management provided TDS for Vinuni – Tiwi Sokoni Road, Approval for Extension of Time, Approval to utilize Contingency funds.

Committee Observations

The Committee observed that;

- 1) Bill No. 1 increased from Kshs. 26.8 million to 36.6 million, and Kshs. 4,943,902 was spent on relocation without proper reconciliation or supporting documentation.
- 2) Despite Kshs. 72.5 million paid under Certificate No. 2, the Vinuni-Tiwi Sokoni Road remains incomplete.

Committee Recommendations

The Committee recommends that:

- 1) The Ethics and Anti-Corruption Commission (EACC) investigate the responsible officer(s) for the possible loss of public funds totaling Kshs. 9,814,437, with a view of recommending the prosecution of the responsible officer(s), and submit a report to the Auditor-General and the Committee within ninety (90) days of adoption of this report.
- 2) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015; and
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

9.1.4 Irregular Contract for Construction of a Psychiatry Ward

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

Management Responses

Management explained that the contract was awarded at KES 17,918,205 to the lowest evaluated bidder and was payable over two financial years, namely KES 10,000,000 for 2023/24 and KES 7,918,205 for 2024/25. Management stated that the first payment of KES 7,747,772 was made on 19th June 2024 within the 2023/24 financial year, while the second payment of KES 3,760,493.80 was made on 28th May 2025 within the 2024/25 financial year, all within the approved budget. Management further indicated that the payment schedule and amounts were communicated to the contractor at the time of contract signing.

Committee Observations

The Committee observed that;

- 1) The Psychiatry Ward at Tiwi Rural Health Training Centre was budgeted at Kshs. 10,000,000 but awarded at Kshs. 17,918,205, a 79% unexplained increase.
- 2) Management failed to provide negotiation records or justification, and Kshs. 11,407,266 has already been spent.

Committee Recommendations

The Committee recommends that;

- 1) The Ethics and Anti-Corruption Commission should investigate the unexplained 79% variation on the Psychiatry Ward project, involving Kshs. 7,918,205, with view of prosecuting responsible officer(s), and submit a report to Auditor General within ninety (90) days from the date of adoption of this report.
- 2) The County Governor undertakes administrative actions against the officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the

PAGE	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Public Finance Management Act and provides a status report to the Office of the Auditor General within 90 days from the adoption of this report.

- 3) The CECM for Finance to ensure timely submission of all supporting records during the audit process in compliance with Section 9(1)(e) of the Public Audit Act; failure to comply will trigger investigation and prosecution under Section 62(2).**

9.1.5 Irregular Award of Contract for Construction of Kwale Stadium

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

Management Response

Management explained that the Notice of Intention to Award was issued to all bidders on 23rd January 2024 in accordance with Section 87 of the Public Procurement and Asset Disposal Act, 2015, which requires the Accounting Officer of a procuring entity to notify all tenderers of the intention to award a contract to the successful bidder. Management further stated that the Act provides that such notification must be issued to all tenderers simultaneously and that a mandatory standstill period of fourteen (14) days must be observed before execution of the contract.

Management indicated that the timeline for the process was as follows:

- Notice of Intention to Award: 23rd January 2024
- Standstill Period: 14 days
- Award Date: 6th February 2024

Management provided supporting documents, including regret letters, the Notice of Intention to Award, and the contract for review.

Committee Observations

The Committee noted that the Notification of Award and Contract Signing for the Kshs. 178,599,801 stadium projects were executed on 6 February 2024, bypassing the mandatory 14-day standstill period under Section 135(3) of PPADA.

Committee Recommendations

The Committee recommends that;

- 1) The Kenya Institute of Supplies Management (KISM) takes action(s) against the Head of Procurement in Kwale County for professional misconduct pursuant to Section 23(1)(d)(i) of the Supplies Practitioner Act 2007 and provides an update to the Office of the Auditor General within 90 days of adoption of this report.**
- 2) Ethics and Anti-Corruption Commission, and the Director of Public Prosecution cause investigation of the Head of Procurement with a view to instituting the prosecution of the officer for violation of Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 and submits a report to the Office of the Auditor General within 90 days of adoption of this report.**

9.1.6 Irregularities in the Construction of Fruit Processing Plant

Review of procurement records revealed that the County Executive entered into a contract with a contractor for the construction of a fruit processing plant phase 3 at Shimba Hills in Kubo South Ward at a contract sum of Kshs. 124,450,353 on 15 January, 2025. Notification of award was issued to the winning bidder on 19 December, 2024 while the bidder submitted their performance security on 13 January, 2025 which was twenty-five (25) days after receipt of the letter of acceptance which is four (4) days after the required period of twenty-one (21) days as required in the tender documents. This was contrary to sub-section 52.1 of the tender document which states that within twenty-one (21) days of the receipt of the letter of acceptance from the procuring entity, the successful tenderer shall furnish the performance security and, any other documents required in the TDS, in accordance with the general conditions of contract, subject to Instruction to Tenderers 40.2.

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

Management Response

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COMMITTEE	
CLERK AT THE TABLE	

Management explained that the delay in submission of the performance bond was due to the contractor being indisposed and therefore unable to process the bond on time. Management further stated that upon noticing the expiry of the submission period, the Accounting Officer issued a demand letter to the contractor to submit the performance security, which was subsequently submitted on 13th January 2025.

Management indicated that the supporting documents, including the demand letters and the performance security, were attached for review.

Committee Observations

The Committee observed that the winning bidder submitted the performance security for the Fruit Processing Plant Phase 3 at Shimba Hills four (4) days late, violating sub-section 52.1 of the tender document and Instruction to Tenderers 40.2.

Committee Recommendations

The Committee recommends that the Kenya Institute of Supplies Management (KISM) takes action(s) against the Head of procurement in Kwale County for professional misconduct pursuant to Section 23(1)(d)(i) of the Supplies Practitioner Act 2007 and provides an update to the Office of the Auditor General within 60 days of adoption of this report.

9.2 Delays in Completion of Construction of Market Stalls at Msambweni Hospital

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

In the circumstances, the value for money of the expenditure in the construction of the market stalls could not be confirmed.

Management Response

Management explained that the delay was caused by a land dispute, which was resolved through a court process in which the County Government successfully reclaimed the public land.

Committee Observations

The Committee observed that;

- 1) The Kshs. 3,925,215 Market Stalls project at Msambweni Hospital was only 60% complete as of 26 November 2024, despite a 90-day completion period, and the contract period was exceeded without a formal extension of time.
- 2) Management cited a land dispute as the cause of the delay but failed to provide certified court documents.

Committee Recommendations

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

9.3 Stalled Projects

9.3.1 Trade Revolving Fund Management System

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

The contractor raised two invoices of Kshs. 4,000,000 on 15 October, 2021 and of Kshs. 4,00,000 on 27 March, 2021 and was paid a total Kshs. 5,625,000. At the time of audit in October 2025, the project was incomplete with no budgetary allocation for the remaining works and no evidence of action taken by Management to mitigate against possible loss funds so far paid. This was contrary to Section 151 of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer (2) for the purpose of managing complex and specialized procurement contracts to appoint the contract implementation team which shall be responsible for (a) monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met.

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

Management Response

Management explained that the project was initiated to automate loan processing, enhance accountability, and improve service delivery to beneficiaries of the Fund. Management stated that key modules, including Beneficiary Registration, Loan Application Processing, Disbursement Management, Repayment Tracking, and Reporting Dashboards, were developed, configured, and successfully tested.

PAPE	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management further clarified that the project has not been abandoned. Provisions have been made in the Approved Budget for FY 2024/2025 to facilitate payment of the remaining amounts, as evidenced by the attached budget extracts.

Management indicated that, to ensure compliance with Section 151 of the Public Procurement and Asset Disposal Act, 2015, the Accounting Officer has reconstituted the Contract Implementation Team to monitor completion activities, confirm deliverables, and ensure accountability on performance obligations. Supporting documents, including the Approved Budget for FY 2024/2025 and payment vouchers, were provided.

Committee Observations

The Committee noted that the trade revolving fund management system, initiated on 5 August 2020 at a contract sum of Kshs. 8,805,000, remains incomplete, despite payments totaling Kshs. 5,625,000

Committee Recommendations

- 1. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) investigate the possible loss of public funds amounting to Kshs. 5,625,000 arising from the incomplete trade revolving fund management system with a view of recommending for prosecution any liable person(s) and submit a report to the Auditor-General within ninety (90) days of adoption of this report.**
- 2. The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015.**
- 3. The County Governor, in line with their executive authority under Article 179 of the Constitution, must prioritize the completion and operationalization of all stalled projects. A status update on the project must be submitted to the Senate and the OAG within ninety (90) days of the adoption of this report.**

9.3.2 Construction of Market Stalls at Kigato

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

had been stopped by Kenya School of Government - Matuga for reasons not disclosed. There was no evidence that the County made efforts to revive and complete the project. At the time of audit in October 2025 Kshs. 1,724,294 had been paid to the constructor.

In the circumstances, the public may not have obtained value for money on Kshs. 1,724,294 incurred on the construction of the stalls.

Management Response

Management explained that the market stalls project is located between the Matuga Dispensary and the Matuga Vocational Training Centre in Kigato, on land owned by the County Government of Kwale. Management stated that the stalls were developed following public demand through public participation, to replace the existing temporary (makuti) stalls with permanent structures.

Management further indicated that when the project reached the walling stage, the Kenya School of Government (KSG) Matuga halted the project due to land ownership issues. The department has since engaged with the Director of KSG Matuga Campus and escalated the matter to the Director General. The issue has also been referred to the Kenya School of Government Council for deliberation.

Management noted that the project has been committed as pending bills, and once approval from KSG is received, the project will be re-tendered and completed for use. Copies of the relevant correspondence and the Approved Budget for FY 2025/2026 were provided for review

Committee Observations

The Committee observed that;

- 1) The management did not provide documents to justify the land dispute for the Kigato Market Stalls project with KSG(Matuga), which stalled at the walling stage.
- 2) The payment of Kshs. 1,724,294 for a project stalled for over four years, contrary to Section 72(1)(b) of the PFM Act.

Committee Recommendations

The Committee recommends that;

- 1) The Governor should engage the National Land Commission (NLC) and the State Department for Lands to resolve the boundary dispute and secure a formal title or allotment letter for the project site and submit a report to the Auditor General within ninety (90) days from the date of adoption of this report.
- 2) The Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156

PAGE	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.

- 3) The Committee recommends that the County Public Service Board (CPSB) undertake disciplinary action(s) against the responsible officer(s) for authorizing works and expenditures without statutory permits, and submit a compliance report to the Auditor-General within ninety (90) days of adoption of this report.
- 4) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015; and
- 5) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

9.3.3 Construction of Market Stalls at Msambweni Hospital

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

In the circumstances, the public may not have obtained value for money on the expenditure of Kshs. 2,074,411 incurred on the incomplete project.

Management Response

Management explained that the contract was extended in line with the extension of time approved by the Accounting Officer. Management further stated that the project is now complete. Supporting documents, including the award letter, payment vouchers, photographs, the extension of time request and approval, and the project completion certificate, were provided for review.

Committee Observations

The Committee observed that the ten market stalls at Msambweni Hospital, valued at Kshs. 4,000,000, were abandoned at roofing stage in late 2024. As of October 2025, Kshs. 2,074,411 had been paid despite contract expiry.

Committee Recommendations

The Committee recommends that;

- 1) County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015;**
- 2) The Ethics and Anti-Corruption Commission (EACC) investigate the possible loss of public funds amounting to Kshs. 2,074,411 arising from the payment for an incomplete project despite its expiry, with a view of recommending for prosecution any liable person(s), and submit a report to the Auditor-General and the Committee within ninety (90) days of adoption of this report; and**
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

9.3.4 Electrification of Market Stalls

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

In the circumstances, the public may not have obtained value for money on the expenditure of Kshs. 7,955,379 incurred on the incomplete project.

Management Response

Management explained that the initial contract was awarded at a contract sum of Kshs. 7,955,379 and was later terminated after a payment of Kshs. 4,682,604.75 had been made. Management further stated that the project has since been re-tendered at a contract sum of Kshs. 3,348,717.58, and that the contractor is currently on site with works in progress.

Management provided supporting documents, including copies of the payment certificate and voucher for the initial contract, default notices, termination letter, and award letter for review.

Committee Observations

The Committee observed that;

- 1) The Electrification of Market Stalls project (Kshs. 7,955,379) was abandoned by the initial contractor after payments of Kshs. 4,682,604.75, leaving the works incomplete.**

PAPERS LAI	
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COMMITTEE	
CLERK AT THE TABLE	

- 2) Although Management stated the project was re-tendered at Kshs. 3,348,717.58, no award letter or contract agreement was provided to the Auditor General for verification.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.**
- 2) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015; and**
- 3) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

9.3.5 Samburu Public Library

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

In the circumstances, the County Executive may not have obtained value for money on the expenditure of Kshs. 6,340,805 incurred on the incomplete project.

Management Response

Management explained that challenges were encountered with the initial contractor, after which due process was followed, culminating in the termination of the contract in accordance with the contractual provisions and applicable laws. Management further stated that a new contractor was lawfully awarded the contract and engaged to complete the outstanding scope of works, and that the project has since been completed.

Management provided supporting documents, including the default notice, final payment documentation, and the certificate of completion for review.

Committee Observations

The Committee observed that Samburu Public Library was complete but not in use.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor to ensure the library is fully equipped and opened to the public within ninety (90) days from the adoption of this report, and submit a status report to the Auditor-General.**
- 2) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015; and**
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

9.3.6 Kwale Library

Review of procurement and project implementation records provided for audit revealed that the County Executive entered into a contract with a local contractor on 27 April, 2023 for the construction of Kwale Library Phase 3 at a contract sum of Kshs. 5,596,150 for a contract period of 105 days. The contract period was varied to end on 10 August, 2023. The first certificate of an amount of Kshs. 2,415,405 was raised on 20 June, 2023 with the second of an amount of Kshs. 708,837 raised on 30 November, 2023. However, the contractor abandoned the site and the construction has not been completed.

In the circumstances, the public may not have obtained value for money on the expenditure of Kshs. 3,124,242 incurred on the incomplete project.

Management Response

Management explained that the contractor was issued with a first default notice, which prompted the resumption of works and completion of the remaining scope. Management further stated that the project has since been completed and is fully operational. Supporting documents, including the default notice, final payment certificate, and certificate of completion, were provided.

PAPER	
DATE	
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COMMITTEE	
CLERK AT THE TABLE	

Committee Observations

The Committee observed that;

- 1) Final Measured Works and a Certificate of Practical Completion were not provided, putting Kshs. 5,596,150 at potential risk.
- 2) The project exceeded its 105-day timeline after the contractor abandoned the site, violating Section 72(1)(b) of the PFM Act.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015; and
- 2) The Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

9.3.7 Tarmacking of Road in Ukunda, Gombato/Bongwe wards

The County Executive entered into a contract with a local contractor for tarmacking of Kona Ya Musa – Mabokoni – Kona Ya Masai Road in Ukunda, Gombato/Bongwe Wards on 15 April, 2020 for a contract period of twelve (12) months at a contract sum of Kshs. 277,977,685. Records show that the contractor had raised four (4) certificates totaling Kshs. 104,040,205. However, at the time of audit in October 2025, the construction was incomplete and the contractor was not on site.

In the circumstances, the public may not obtain value for money on the expenditure of Kshs. 104,040,205 incurred on the incomplete project.

Management Response

Management explained that the contract was terminated on 12th November 2021 after the contractor failed to resume works despite being issued with a notice of slow progress dated 19th August 2021. Management further stated that the contractor subsequently sought legal redress by filing a court case to dispute the termination, and as a result, the project has stalled due to

pending court proceedings. Supporting documents, including the notice of slow progress, court summons, and correspondence from the legal team, were provided for review.

Committee Observations

The Committee observed that:

1. Despite the contract awarded on 15 April 2020 for Kshs. 277,977,685, the Kona Ya Musa – Mabokoni Road remains incomplete, and the contractor was absent from site.
2. The contractor was terminated on 12 November 2021 for non-performance, but a pending court case has stalled the project.

Committee Recommendations

1. **The Committee recommends that the County Attorney provide a detailed report of the court case affecting the implementation of the project with clear course of action taken by the county up to the date of the adoption of this report. This status report shall be provided to the Auditor General within ninety (90) days of the adoption of this report.**
2. **The County Executive establishes a robust project management and monitoring committee, as envisaged by Section 151 of the Public Procurement and Asset Disposal Act, 2015, to ensure proper project conceptualization, planning, execution, and timely completion.**

10.0 Underutilization of ICT infrastructure and Payment for Services not Provided

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

PAPERS	
DATE	
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COMMITTEE	
CLERK AT THE TABLE	

Further, the Department of Tourism and ICT entered into a contract with a local contractor for the design and implementation of County e-Government portal at contract sum of Kshs. 4,128,500. However, at the time of audit in October, 2025, the contractor had been fully paid. However, Management did not provide evidence of signoffs and inspection and acceptance report for the project. In addition, it was noted that the Elimu ni Sasa portal was not utilized after installation since the bursary application forms were still manually done since the year 2023/2024 when the portal was installed.

In the circumstances, the public did not obtain value for money on the installation of ICT infrastructure and design and implementation of County E-government portal at a cost of Kshs. 96,956,864.

Management Response

Management explained that the department had implemented ICT infrastructure across all County Government offices and that the infrastructure had been operational with internet access. Management stated that during the audit period, the department experienced a temporary challenge due to the disconnection of internet services to the infrastructure. Management further confirmed that internet services have since been reconnected and that the ICT infrastructure is now fully operational and being utilized.

Management also clarified that the e-government portal was implemented at a cost of Kshs. 4,128,500 and is currently functional. Test logs were provided for review.

Committee Observations

The Committee observed that;

- 1) Internet services at Msambweni Hospital, Kinango Hospital, and Puma Ward offices were non-operational.
- 2) Kshs. 96,956,864 spent on ICT hardware remains unused, and Kshs. 4,128,500 paid for the e-Government portal lacked Inspection and Acceptance Reports, violating procurement regulations.

Committee Recommendations

The Committee recommends that the Kenya Institute of Supplies Management (KISM) takes action(s) against the Head of procurement in Mandera County for professional misconduct pursuant to Section 23(1)(d)(i) of the Supplies Practitioners Act 2007 and provides an update to the Senate within ninety (90) days of adoption of this report.

10.0 Lack of Value for Money on the Construction of Tourism Information Centres and Monuments at Shimoni

The statement of financial position reflects property, plant and equipment balance of Kshs. 943,308,518 as disclosed in Note 26 to the financial statements. Included in this balance are buildings balance of Kshs. 710, 693,512. Review of Project Implementation Status Reports and other records revealed that the County Executive contracted for the construction of Tourism Information Centers and Monuments at Shimoni at a contract sum of Kshs. 4,751,736 in the financial year 2021/2022. Physical verification revealed that the project was complete and fully paid for. However, the facility has never been put to use over the last three (3) years.

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

Management Response

Management explained that Shimoni is a tourist town that attracts visitors throughout the year, which necessitated the establishment of a tourist information center to provide information about the town and the county at large. Management stated that the project is being implemented in phases, with Phase One involving the construction of the tourist information center, which has been completed, while Phase Two entails landscaping and development of the parking area.

Management further noted that, in the interim, the premises are being used by a government officer, specifically a Village Administrator, as office space. Management indicated that upon completion of the project, the facility will accommodate the Tourism Information Officer, the Beach Management Unit, and tour operators' offices. Supporting photographs were provided for review.

Committee Observations

The Committee observed that the facility has remained unused for three years, with a government staff member occupying it instead of tourism officers.

Committee Recommendations

The Committee recommends that;

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

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COMMITTEE		
CLERK AT THE TABLE		

completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015; and

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

11.0 Non-compliance with the Law on Staff Ethnic Composition in Recruitment

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

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

Management Response

Management acknowledged the audit findings and emphasized the importance of promoting ethnic diversity and inclusivity in recruitment processes in line with Article 232(1)(h) of the Constitution of Kenya. Management explained that several challenges have contributed to the current situation.

Management clarified that the term *Mijikenda* denotes nine distinct ethnic communities with closely related dialects inhabiting the coastal region. Management noted that Digo and Duruma predominantly reside in Kwale County, while the remaining seven communities—Giriama, Chonyi, Rabai, Ribe, Kauma, Kambe, and Jibana—are mainly found in Kilifi, Lamu, and Taita Taveta Counties. Management stated that the reported 91.05 percent representation of the Mijikenda ethnic cluster indicated compliance by the County Public Service Board and the County Government with the constitutional requirement, and that the Board continuously strives to ensure such compliance.

Management further reported that low applicant diversity has been experienced, as most applications received during recent recruitment exercises predominantly originated from the local community, despite advertisements being placed in national newspapers and on the County

website. In addition, management indicated that resignations and refusals of postings have affected diversity outcomes, noting that adverse weather conditions and the remote nature of certain areas within Kwale County have contributed to higher attrition among staff deployed from other regions. Management explained that, in several instances, candidates from outside the County either declined appointments or resigned shortly after posting, necessitating the deployment of local candidates to such areas.

Management stated that, in ensuring ethnic compliance in recruitment, the Board has adopted strategies aimed at promoting diversity, equity, and inclusion while adhering to legal and ethnic standards. In this regard, management indicated that the County Public Service Board has budgeted for the acquisition of a modern Human Resource system to enhance recruitment processes, track diversity, monitor staff turnover, and report on inclusivity. Management noted that the system is expected to support data-driven decision-making to improve diversity outcomes.

Committee Observations

The Committee observed that;

- 1) Out of 67 employees recruited during the financial year 2024/25, 61 (91%) were from the dominant ethnic community, in breach of Section 65(1)(e) of the County Governments Act.
- 2) Management has not demonstrated any measures taken to ensure compliance with the law on staff ethnic composition.
- 3) The Committee also noted that section 65(1)(e) of the County Governments Act mandates county public service boards, in selecting candidates for appointment, to consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. This provision must be adhered to by all counties.

Committee Recommendations

The committee recommends that: -

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

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COMMITTEE	
CLERK AT THE TABLE	

12.0 Non-Compliance with the Law on a Third of the Basic Pay Rule

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

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

Management Response

Management explained that officers earning a net salary below one third of their basic salary, as provided by law, arose from several factors. Management stated that the introduction of the Social Health Insurance Fund (SHIF) and Housing Levy deductions occurred at a time when officers already had existing commitments on their payslips. Management clarified that the HRIS payroll system does not allow the loading of new commitments beyond the two-thirds threshold, except for statutory and departmental obligations.

Management further explained that officers undergoing disciplinary processes, such as interdiction where half salary is payable, experienced reductions in net pay, causing commitments that were previously within the one-third rule to fall below the threshold during the interdiction period. Management also noted that changes in taxation bands contributed to the situation, as commitments that were within acceptable limits at the time loans were taken later fell below the one-third rule following tax changes. In this regard, management cited the reduction of the highest tax band to 25 percent during the COVID-19 period and its subsequent reinstatement to 30 percent.

In addition, management explained that the expiry of income tax exemption certificates, which are issued for a five-year period subject to renewal, affected net pay. Management stated that officers often committed their salaries while the exemption was active, and upon expiry—before renewal—their net salaries fell below the one-third threshold.

Management indicated that corrective actions were taken, including advising staff to reorganize their loan commitments to comply with the one-third requirement. Management further stated that in the January 2026 payroll, all loan commitments are being revised downwards to ensure that all staff remain within the prescribed threshold.

Management reported that the number of employees receiving a net salary below one third of their basic salary stood at 1,042 in July 2024 following the introduction of the Housing Levy in FY 2023/2024. Through individual loan restructuring, the number was reduced to 121 by

August 2024. Management further noted that the introduction of SHIF in October 2024, at a rate of 2.75 percent of gross salary, led to an increase in the number to 510. Subsequent salary restructuring efforts reduced the number to 157 by June 2025.

Management reiterated that receiving a net salary below one third of basic pay may also result from interdiction on half salary or expiry of income tax exemption certificates. Management expressed the expectation that the number of affected employees will be reduced to zero by the end of the current financial year. Supporting documents, including expired exemption certificates, were provided for review.

Committee Observations

The Committee observed that some employees received net salaries below one-third of their basic pay, contrary to Section 19(3) of the Employment Act, 2007.

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**

13.0 Irregularities in Construction of County Aggregation and Industrial Park

The County Executive entered into a contract with a local contractor on 30 October, 2023 for the construction of County aggregation and industrial park at Mwananyamala in Dzombo Ward for a contract period ending 31 October, 2024 and contract sum of Kshs. 497,431,884. The contract period was later varied to end on 31 October, 2026. Evidence provided for audit indicated that the contractor had raised three (3) certificates with the third valued at Kshs. 22,294,082 which was raised on 25 February, 2025, and paid on 3 March, 2025. Review of the itemized paid Bill of Quantities supporting the payment revealed unlawful variation of item quantities of up to 1007% and amounts of various items from the original Bill of Quantities. Further, extra works were introduced of the tender awarding authority. This was contrary to of Section 139(4) of the

ITEMS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Public Procurement and Asset Disposal Act, 2015 which provides that for the purpose of this section, any variation of the contract shall only be considered after twelve months from the date of signing of the contract and shall only be considered if (b) the quantity variation for goods and services does not exceed fifteen per cent of the original contract quantity; (c) the quantity variation of works does not exceed twenty per cent of the original contract quantity;

In addition, the original Bill of Quantities had prime costs of Kshs. 3,500,000 before tax for project supervision, however, no evidence was provided for audit to show that the accounting officer had appointed a Project Management Team. Further, an amount of Kshs. 516,500 budgeted for the project management was spent on acquisition of various items for the Project Management Team including laptops and a printer. However, there was no evidence provided to show that the accounting officer approved the use of the provisional sums.

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

Management Response

Management explained that following a technical examination and site evaluation, a decision was made to replace steel columns with reinforced concrete columns. Management stated that the use of reinforced concrete columns was intended to enhance the longevity and durability of the structure and to ensure compliance with acceptable engineering standards. Management clarified that the modification was purely a technical replacement and did not result in any change to the total contract price or the contract sum. Management further stated that all other performance requirements, specifications, and contractual obligations were fully adhered to. Supporting documents, including the request for change of scope from the Project Manager and the approval by the Chief Officer of the procuring entity, were attached.

Management further indicated that the Project Management Team was constituted in accordance with the law and comprised representatives from the user department and officers from the Works Department. Management stated that appointment letters issued by the Accounting Officer were attached as evidence.

Regarding the audit query on the use of project management fees to purchase office stationery, management explained that the stationery items were not procured through provisional sums or ad hoc expenditures. Management clarified that the contractor had appropriately priced the stationery items at the tender stage and that they were explicitly included in the Bills of Quantities. Consequently, management stated that the cost of the stationery was already covered within the approved contract sum and formed part of the authorized contractual items. Management further explained that the payments were made in accordance with the terms of the contract and did not require separate authorization as provisional sums or as a contract variation.

Management affirmed that the stationery purchases were within the scope of the contract and did not result in any additional cost to the client beyond the agreed contract sum. Supporting documents, including copies of the relevant Bills of Quantities for the project and project management stationery, were provided for review.

Committee Observations

The Committee observed that;

- 1) Management approved major variations three months after contract signing, contrary to Section 139(3) of the PPADA, 2015, which prohibits changes within the first 12 months.
- 2) Item quantities in the Bill of Quantities were increased by up to 1007% without providing revised BQs or updated prices for verification.
- 3) Kshs. 3.5 million allocated for project supervision and stationery, as well as additional works in the Kshs. 497.4 million projects, were executed without documented approval from the awarding authority.

Committee Recommendations

The Committee recommends that;

- 1) **The Kenya Institute of Supplies Management (KISM) takes action(s) against the Head of procurement in Mandera County for professional misconduct pursuant to Section 23(1)(d)(i) of the Supplies Practitioners Act 2007 and provides an update to the Senate within ninety (90) days of adoption of this report.**
- 2) **The Ethics and Anti-Corruption Commission (EACC) should investigate the expenditure of Kshs. 497,400,000 with a view to prosecuting responsible officer(s) for possible loss of public funds, and provide a status report to the Office of the Auditor-General within ninety (90) days from adoption of this report.**

14.0 Non-Compliance with the Data Protection Act, 2019

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

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

Management Response

PAPE	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management explained that the County has made considerable progress toward registration as a data processor. Management stated that a Data Protection Officer has been appointed and is mandated to oversee data protection matters across County departments, including completion of the registration process. Supporting documentation was provided for review.

Committee Observations

The Committee observed that the management did not provide evidence of compliance with the Data Protection Act, 2019, including registration with the Data Commissioner as a data controller or data processor, despite appointing a Data Protection Officer.

Committee Recommendations

The Committee recommends that;

- 1) The Committee recommends that the County Governor ensure full compliance with the Data Protection Act, 2019, including completion of registration with the Data Commissioner, and submit a compliance report to the Auditor-General within ninety (90) days from the date of adoption of this report.**
- 2) The County Govern undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.**
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

15.0 Unauthorized Expenditure

The statement of financial position reflects cash and cash equivalents balance of Kshs. 213, 257,397 as disclosed in Note 21 to the financial statements. Review of the imprest cash book revealed an amount of Kshs, 878,650 was transferred to the imprest account in February 2025. However, review of the cash book revealed that Kshs, 407,700 of the amounts was spent on Biashara Public Participation, whole and joint house meetings yet there were no approved work plans for the said expenditure.

In the circumstances, Management was in breach of law.

Management Response

Management explained that the expenditure related to public participation activities undertaken during the legislative process of the Kwale County Biashara Revolving Fund Bill. Management stated that the activity was successfully conducted and that the Kwale County Biashara Revolving Fund Act, 2025, has since been enacted. Supporting documents, including the approved work plan, a copy of the Biashara Fund Act, the request for transfer of funds for approval, and bank statements for both accounts, were provided for review.

Committee Observations

The Committee observed that there was a serious breach of financial regulations where Kshs. 6,678,650 was irregularly borrowed from the Biashara Revolving Fund to finance administrative activities without a clear repayment plan, and Kshs. 6,407,700 was spent without approved work plans.

Committee Recommendation

The Committee Recommends that the Ethics and Anti-Corruption Commission investigates the irregular borrowing of Kshs. 6,678,650 from the Revolving Fund and the unauthorized expenditure of Kshs. 6,407,700 to determine if this constitutes financial misconduct under Section 197 of the Public Finance Management Act, 2012, and to recommend the prosecution of the responsible officer(s). A report shall be submitted to the Auditor-General within ninety (90) days.

16. 0 Weakness over Management of Assets

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

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

PAPEP	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

Management Response

Management explained that the variance of 340 between the reports submitted and the Integrated Management System arose because motorbikes, farm tractors, and earthmovers were not previously included in the motor vehicle status report. Management stated that these assets are now included, and a comprehensive list of 523 movable assets, including 8 newly acquired items, has been attached.

Management further indicated that the Disposal Committee is in place, with copies of the letters of appointment attached. Management noted that motor vehicles found in private garages were undergoing repairs, and therefore storage charges did not apply.

Management clarified that the two vehicles (02CG082A and 02CG038A) that were written off had been deregistered from the County by the National Transport and Safety Authority, with copies of the deregistration certificates attached. Management also stated that the 13 vehicles unassigned to drivers are unserviceable and were awaiting technical valuation in preparation for disposal. Previously, County vehicles kept in private garages were taken there for repairs; however, those beyond repair were moved and parked at the County garage, which now manages vehicle maintenance. Supporting documents, including the list of assets and relevant certificates, were provided for review.

Committee Observations

The Committee observed;

- 1) That there are significant weaknesses in asset management, including an unreconciled variance of 340 assets between the physical count and the system register, and a high number of unserviceable vehicles stored without proper agreements.
- 2) This contravenes the accounting officer's responsibility under Section 153(1) of the Public Finance Management Act, 2012, to manage the entity's assets to ensure value for money, and Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015, which requires the maintenance of a proper asset register.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) before the transition to accrual basis of accounting and**

provide a status update to the OAG within ninety (90) days of the adoption of this report;

- 2) The County should adopt and implement the report of the Inter-Governmental Relations Technical Committee (IGRTC) on assets and liabilities from defunct Local Authorities and thereafter provide a status report to the auditor general within ninety (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.

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

Basis for Qualified Opinion

1.0 Irregular Transfer of Funds

The statement of financial performance and Note 12 to the financial statements reflects transfer of County Executive of Kshs. 9,601,969,190. The amount includes Kshs. 33,376,000 transferred under Community Health Promoters Project (CHPs). Review of the approved budget for the year shows that Kshs. 59,140,000 was approved and no funds were received for the year program under transfers from other government agencies. No explanation was provided to show the source of funds transferred from CRF to the project.

In the circumstances, the accuracy and completeness of the transfers to County Executive of Kshs. 33,376,000 could not be confirmed.

Management Response

Management explained that the Community Health Promoters (CHPs) receive stipends from both the County and the National Government. Management stated that the approved budget of Kshs 59,140,000 represents funds transferred directly to the beneficiaries by the National

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Government, while the County's contribution of Kshs 33,376,000 was withdrawn from the County Revenue Fund to the CHP Special Purpose Account (SPA) held at the Central Bank of Kenya to facilitate payments to the beneficiaries. Supporting correspondences from the Council of Governors regarding the CHPs were provided for review.

Committee Observations

1. The Committee observes that the County Executive withdrew and transferred Kshs. 33,376,000 from the County Revenue Fund (CRF) to a Special Purpose Account (SPA) for the Community Health Promoters (CHP) Project without a corresponding appropriation in the approved County Fiscal Strategy Paper and Budget for the financial year.
2. This action constitutes a violation of the principle of legality in public finance, which requires that no public funds shall be spent without the authority of the County Assembly as provided for by Article 207(2) of the Constitution.
3. The transaction, in substance, amounted to a reallocation of funds, and its execution without following the due process for a supplementary budget contravenes Section 135 of the Public Finance Management Act, 2012, and the specific procedures for budget reallocations and supplementary estimates outlined in Regulations 47, 48, and 53 of the Public Finance Management (County Governments) Regulations, 2015. This action circumvents the County Assembly's oversight role and undermines fiscal discipline.
4. By making a payment not authorized in law, the responsible public officers are in breach of Section 196 of the Public Finance Management Act, 2012, which prohibits a public officer from spending public money otherwise than as authorized by law.

Committee Recommendations

The Committee recommends that;

- 1) **The Accounting Officer/County Chief Officer (Health) to ensure full compliance with Section 135 of the Public Finance Management Act, 2012, by seeking prior approval from the County Assembly through a supplementary budget before initiating any expenditure that was not part of the original approved budget**
- 2) **The County Executive Committee Member for Finance to ensure strict adherence to Regulations 47 and 48 of the Public Finance Management (County Governments) Regulations, 2015, by submitting all proposed reallocations to the County Treasury for consolidation and inclusion in the next revised budget for approval by the County Assembly.**

- 3) **The Ethics and Anti-Corruption Commission (EACC) investigate the circumstances surrounding the unauthorized reallocation and expenditure of Kshs. 33,376,000 to determine if any criminal culpability arises from the contravention of Section 45 (Misappropriation of public funds) and Section 48 (Financial misconduct) of the Anti-Corruption and Economic Crimes Act, and take appropriate action.**

2.0 Error in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts discloses final revenue budget and actual on comparable basis of Kshs. 14,569,403,604 and Kshs. 10,309,996,579 respectively. This amount includes opening balance re-appropriated of Kshs. 3,775,541,683 and actual receipts Kshs. 1,265,710,419. However, review of the actual receipts revealed that Kshs. 256,386,519 relates to cash balances at the beginning of the year and Kshs. 686,728,299 was in respect of receivables from non-exchange transaction all totaling to Kshs. 943,114,818. The resulting variance of Kshs. 322,595,601 was not explained or supported.

In the circumstances, the accuracy of the actual amount of the opening balance re- appropriated of Kshs. 1,265,710,419 could not be confirmed.

Management Responses

Management explained that the actual receipts of Kshs 1,265,710,419 comprised the following:

1. County Revenue Fund (CRF) balance at the beginning of the year – Kshs 256,386,519
2. Equitable Share for the month of June, received in July (Receivable) – Kshs 686,728,299
3. Opening balance for Special Purpose Accounts (SPAs) and Commercial Bank accounts, whose balances had not been swept to the CRF – Kshs 322,595,601

Management noted that the total receipts amounted to Kshs 1,265,710,419 and acknowledged that the disclosure of Kshs 322,595,601 was erroneously omitted in the financial statements. Management further stated that an extract of the Audited Financial Statements for the Financial Year 2023/2024, showing the relevant bank balances, was provided for confirmation.

Committee Observations

The Committee observed that;

- 1) The Committee notes that the financial statements contained a material misstatement, with Kshs. 322,595,601 erroneously omitted from the actual receipts disclosed. This is a breach of the accounting officer's duty to prepare accurate financial statements as

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

required by Section 164 of the Public Finance Management Act, 2012, and Regulation 37(1) of the Public Finance Management (County Governments) Regulations, 2015.

- 2) A variance of Kshs. 322,595,601 remained unexplained during audit, indicating weak reconciliation procedures and non-compliance with Regulation 4(d) of the PFM (County Governments) Regulations, 2015.
- 3) The failure to sweep these unutilized balances from project and commercial bank accounts back into the County Revenue Fund at the end of the financial year contravenes Section 136(2) of the Public Finance Management Act, 2012, and the cash management principles in Regulation 84 of the Public Finance Management (County Governments) Regulations, 2015, which mandate the surrender of unspent money. This practice conceals the county's true cash position and impedes effective cash management by the County Treasury.

Committee Recommendations

The Committee recommends that;

- 1) **The CECM for Finance to comply with Section 119(2) of the Public Finance Management Act, 2012, and Regulation 82 of the Public Finance Management (County Governments) Regulations, 2015, by sweeping all unutilized funds from county exchequer and commercial bank accounts back to the County Revenue Fund (CRF) at the close of each financial year.**
- 2) **The Accounting Officer (County Treasury) prepares and submits corrected financial statements for the year under review to the Auditor-General within ninety (90) days of the adoption of this report. The restatement must accurately classify the opening balances and actual receipts in compliance with the accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB).**
- 3) **The County Public Service Board, in collaboration with the National Treasury conducts a training needs assessment and facilitate mandatory capacity building for all finance staff on the application of IPSAS and the provisions of the PFM Act and Regulations, with a specific focus on financial reporting and reconciliation, to be completed within ninety (90) days of this report's adoption.**

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. 14,569,403,604 and Kshs. 10,309,996,579 respectively resulting to under collection of revenue of Kshs. 4,259,407,025, or 29% of the

budget receipts. Similarly, the fund expended Kshs. 7,775,198,665 against actual receipts of Kshs. 10,309,996,579 resulting to under absorption of Kshs. 2,534,797,914, or 25% of actual receipts.

The under collection and underfunding affected implementation of planned activities and impacted negatively on service delivery to the public.

The opinion is not modified in respect of this matter.

Management Response

Management explained that the underfunding was due to grants that were not received and delays in the disbursement of funds from the National Treasury.

Committee Observations

The Committee observed that;

- 1) Kshs. 4,259,407,025 (29% of the final receipts budget) was under-collected. While late National Treasury disbursements contributed, poor Own Source Revenue (OSR) mobilization also caused the shortfall.
- 2) Kshs. 2,534,797,914 (25% of actual receipts) remained unutilized, resulting in stalled projects such as the Industrial Park, roads, and market stalls.

Committee Recommendations

The Committee recommends that;

- 1) The National Treasury to ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and**
- 2) The County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**
- 3) The National Treasury align donor funding with the County's budget implementation timeline to mitigate risks arising from the non-release of budgeted donor funds, which often lead to stalled projects and accumulation of trade payables (Pending Bills).**

4.0 Unresolved Prior Year's Audit Matters

In the prior year's audit report, one issue was raised under the report on financial statements on the variance between the statements of receiver of revenue and County Revenue Fund balances.

PAPERS LAIL	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Review of the status during audit of the fund in 2024/2025 revealed that the matter remained unresolved as at 30 June, 2025.

Management Response

Table 1: Unresolved Prior Year's Audit Matters

S/No.	Query	Details	Remarks
1.	Variance Between the Statement of Receiver of Revenue and County Revenue Fund Balance	Variance in revenue streams reported in CRF and ROR financial statements Transfers to CRF could not be matched to individual revenue streams.	Resolved, Variances reconciled and going forward, the transition to IPSAS Accrual has eliminated the variances.
2.	Budgetary Control and performance	The County will liase with National Treasury so that disbursement of Funds is done on time	National Treasury to give way forward on disbursement of funds.

Source: Kwale County Executive

Committee Observations

The Committee observed that;

1. Prior-year discrepancies between the Receiver of Revenue and the County Revenue Fund remain unaddressed, with Management failing to provide reconciliation schedules, in breach of Section 31(1)(a) of the Public Audit Act, 2015.
2. The persistent non-resolution of audit issues undermines the oversight function of the County Assembly and the Senate, and violates the principle of accountability to the public for the management of public finances, which is the core object of the PFM Act (Section 3(b)).
3. The failure to take action on the Auditor General's report is a contravention of Section 53 of the Public Audit Act, 2015, which requires the Accounting Officer to take action and submit a report on how issues raised have been addressed

Committee Recommendations

The Committee recommends that;

- 1) The Office of the County Governor 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 Office of the Auditor General within ninety (90) days of the adoption of this report;

- 2) The CECM Finance should oversee a complete reconciliation of the Receiver of Revenue records with the County Revenue Fund records. The reconciliation must be completed, and a report, certified by the County Chief Officer for Finance, be submitted to the Auditor-General for verification and sign-off within ninety (90) days from the adoption of this report.
- 3) The Office of the Auditor to continue monitoring the unresolved prior-year discrepancies and report on their status in the subsequent audit cycle.

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

Basis for Qualified Opinion

1.0 Variances Between Ledgers and Revenue Statement Amounts

The statement of revenue and disbursements reflects total revenue from exchange transactions of Kshs.483,680,839. However, review of supporting schedules provided for audit revealed variances between amounts reported under Notes to the revenue statements and supporting ledgers for twenty-two (22) revenue streams as analyzed in the table below:

Table 1: Revenue Streams Analysis

Item	Note Number	Amount as per Note to the FS(Kshs)	Amount as per Supporting Ledger (Kshs)	Variance (Kshs)
Farm Produce	6	9,293,986	7,835,189	1,458,797
Quarrying	6	32,465,557	25,215,837	7,249,720

PAPERS L	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Item	Note Number	Amount as per Note to the FS(Kshs)	Amount as per Supporting Ledger (Kshs)	Variance (Kshs)
Land rates	7	118,812,335	28,216,366	90,595,969
Land penalties and interest	7	10,916,581	10,951,674	(35,093)
Business permits application fees	8	798,700	819,420	(20,720)
Annual business permits fees	8	129,173,169	77,785,305	51,387,864
Business permits penalties and interest	8	996,611	1,002,831	(6,220)
Refuse disposal fees	9	3,260,000	2,630,000	630,000
Weight and measures	10	1,465,160	1,480,800	(15,640)
Liquor Licenses	10	8,170,000	8,089,500	80,500
Plot Transfer fees	10	1,065,000	1,070,000	(5,000)
Impounding fees	11	133,074	134,029	(955)
Public Health Permits	12	6,511,445	6,758,745	(247,300)
Building Plans approval	13	9,259,656	8,875,156	384,500
Street parking Fees	15	7,635,510	7,681,260	(45,750)
Monthly toll/ sticker fees	15	8,485,555	8,189,450	296,105
Bus Park fees	15	7,549,700	7,550,900	(1,200)
Market entry fees	16	3,367,535	3,366,605	930
Auction Fees	16	7,273,910	6,706,910	567,000
County Housing	17	3,425,597	2,961,597	464,000
Plot Rent	17	10,423,829	2,032,469	8,391,360
Stalls/ Kiosks	17	1,372,272	1,311,222	61,050

Source: County Executive of Kwale

In the circumstances, the accuracy and completeness of total revenue from exchange transactions of Kshs.483,680,839 could not be confirmed.

Management Response

Management explained that the supporting ledger reflects amounts receipted in the Revenue Management System (RMS), whereas the figures in the financial statement notes were derived after reconciling the receipted amounts with receipts from previous periods and unreceipted balances carried forward. Management further stated that, due to the first-time adoption of IPSAS Accrual, the amounts were adjusted for arrears, as they had not previously been recognized as revenue. Management also noted that in preparing amounts per the supporting ledgers, the auditor did not take into account receipts for liquor license applications, building inspection fees, and market shelters, which are reflected under the relevant notes. A detailed reconciliation between the supporting ledger and the notes is provided.

Committee Observations

The Committee observed;

- 1) The Committee observed the failure to maintain accurate and consistent records contravenes the fundamental duty of an accounting officer to ensure proper financial records as mandated by Section 104(1) of the PFM (County Governments) Regulations, 2015, which requires that all financial records be accurate, reliable, and free from errors.
- 2) The reliance on manual reconciliations between the Revenue Management System (RMS) and financial statements further indicates a lack of an effective internal control system, violating the principles of efficient and transparent financial management enshrined in Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that

- 1) The CECM for Finance, as the head of the County Treasury ensures an immediate and comprehensive reconciliation of all twenty-two (22) revenue streams between the Revenue Management System (RMS) and the financial statements;
- 2) A detailed reconciliation report, certified by the County Chief Officer for Finance, be submitted to the Office of the Auditor-General within ninety (90) days. This is in

PAPERS LA	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

line with the accounting officer's responsibility for proper books of account under Section 104 of the PFM (County Governments) Regulations, 2015.

- 3) The County Public Service Board, in conjunction with the CECM for Finance, conduct a capacity needs assessment and facilitate targeted training for finance and ICT staff on the proper use of the revenue system and the application of International Public Sector Accounting Standards (IPSAS) accrual basis, reporting to the Committee within ninety (90) days.

2.0 Unsupported Hospital Fees

The statement of revenue and disbursement and Note 19 to the revenue statements reflect hospital fees of Kshs.384,021,316 earned during the year. The amount includes actual receipts of Kshs.247,671,990 out of which Kshs.47,426,281 was received in the receiver of revenue main account in respect of facilities improvement fund which was not supported by a detailed schedule showing the breakdown per facility and the listing of patients.

Further, out of the revenue of Kshs.47,426,281 collected in the main account, Kshs.30,382,230 was transferred to the hospitals' bank accounts leaving a balance of Kshs.17,044,051. However, no records were provided to show how the balance was spent or the reason for failure to transfer the whole amount to the facilities contrary to Section 5 (1) of the Facilities Improvement Financing Act, 2023 which states that there shall be retention of all monies raised or received by or on behalf of all public health facilities.

In the circumstances, the accuracy and completeness of hospital fees of Kshs.47,426,281 could not be confirmed.

Management Response

Management explained that prior to the implementation of the Facility Improvement Fund (FIF), hospital revenues were banked into the County Revenue Fund (CRF) along with all other revenues in accordance with the Public Finance Management Act, 2012. Management stated that banking of revenues to the CRF during the period under review was transitional, pending the update of banking details. Management further noted that the facilities have since changed their SHA pay points to individual revenue bank accounts in line with the FIF Act, 2023.

Management indicated that the amounts received in the main revenue account per facility are provided in Appendix 2(a). Management further stated that disbursements from the SHA were reconciled, and transfer requests were made by the Department of Health Services. During the period under review, a total of Kshs 36,665,045.85 was transferred to the hospitals' bank

accounts. Management clarified that any remaining balance was not spent but transferred to the facilities after the closure of the financial year were provided.

Committee Observations

The Committee observed that;

- 1) The Committee observed that Kshs. 47,426,281 of hospital fees was deposited into the County Revenue Fund (CRF) main account instead of the dedicated Facility Improvement Funds (FIF) accounts. This action is a direct contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023, which mandates that all monies raised by health facilities be retained and utilized at the source.
- 2) Furthermore, the failure to provide facility-level breakdowns and patient listings for the total hospital fees of Kshs. 247,671,990 constitutes a breach of the accounting officer's duty to keep proper financial records as required by Section 104 of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that

- 1) **The CECM for Finance and the Accounting Officer for Health shall reconcile and unconditionally transfer the outstanding balance of Kshs. 3,555,895 from the County Revenue Fund account to the respective health facility bank accounts, and submit a joint status report to the Senate and the Office of the Auditor-General within ninety (90) days of the adoption of this report.**
- 2) **The CECM for Health ensure full compliance with Section 5(1) of the Facilities Improvement Financing Act, 2023. A standard operating procedure shall be developed and enforced to ensure all health facility-generated revenue is deposited directly into designated facility accounts and not the CRF. Evidence of compliance shall be submitted to the Auditor-General within ninety (90) days of adoption of this report.**
- 3) **The Auditor-General verifies compliance with this recommendation in the subsequent financial year's audit and report findings to the Committee.**

3.0 Inaccurate and Unsupported Receivables Balances

The statement of financial position and Notes 32 and 35 to the revenue statements reflect receivables from non-exchange transactions and exchange transactions of Kshs.150,415,356 and Kshs.134,686,465 respectively. However, re-computation yielded Kshs. 235,007,777 and Kshs. 186,960,458 in respect of receivables for non-exchange and exchange transactions resulting to

	PAPER
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

variances of Kshs.84,592,421 and Kshs.52,273,993 respectively which have not been explained or reconciled. Further, the balances were not supported by ledgers.

In the circumstances, the accuracy and completeness of receivables from non-exchange and exchange transactions of Kshs.150,415,356 and Kshs.134,686,465 could not be confirmed.

Management Response

Management explained that the error in reporting was identified during the first-time adoption of IPSAS accrual. Management stated that opening arrears were treated as revenue for the period because they had not been previously accounted for under the cash basis of reporting. Management further noted that the error will be corrected by restating the comparative financial statement figures for the year 2024/2025 when preparing the financial statements for the year 2025/2026.

Committee Observations

The Committee observed that;

- 1) The Committee observed that the financial statements contained materially misstated receivables. The reported figures for non-exchange and exchange receivables (Kshs. 150,415,356 and Kshs. 134,686,465) were found to be inaccurate compared to audit-verified computations, with unexplained variances of Kshs. 84,592,421 and Kshs. 52,273,993 respectively.
- 2) This misrepresentation violates the principle of accurate and transparent financial reporting as stipulated in Article 201(d) of the Constitution and the accounting officer's responsibility to maintain accurate records under Section 149(2)(b) of the PFM Act. The variances lacked supporting subsidiary ledgers or reconciliation schedules, breaching Regulation 104(1) of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommend that;

- 1) **The County Governor undertakes administrative action against the county officer(s) who failed to ensure the accuracy of the financial statements, in line with their oversight and accounting responsibilities under Section 44 and 45 of the County Governments Act, 2012 and Section 149 of the PFM Act, 2012 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 County Treasury shall, in preparing the financial statements for FY 2025/2026, restate the comparative figures for FY 2024/2025 to correct the error as per the requirements of IPSAS. A copy of the restated and reconciled receivables schedule,**

supported by subsidiary ledgers, must be provided to the Auditor-General during the next audit cycle.

4.0 Doubtful Recoverability of Accounts Receivable

The statement of financial position and Notes 32 and 35 to the revenue statements reflects receivables from non-exchange and exchange transaction of Kshs.150,415,356 and Kshs.134,686,465 respectively all totaling to Kshs.285,101,821. Review of the statement of arrears of revenue revealed that receivables totaling to Kshs.38,308,420 were outstanding for a period of more than two (2) years hence recoverability is doubtful. There was no evidence provided to show efforts put in place by the Management to recover the arrears.

In the circumstances, the recoverability and valuation of receivables from non-exchange and exchange transactions of Kshs.38,308,420 could not be confirmed.

Management Response

Management explained that the County has pursued, and continues to pursue, legal avenues to recover the outstanding receivables. Supporting details were provided.

Committee Observations

1. The Committee observed that Kshs. 38,308,420 out of total receivables of Kshs. 285,101,821 has been outstanding for over two (2) years. The failure to provide evidence of proactive recovery efforts, as required by prudent financial management, casts doubt on the recoverability and valuation of this asset.
2. This inaction risks turning these receivables into a loss, potentially constituting wasteful expenditure as defined in Section 2 of the PFM Act and contravenes the fiscal responsibility principle of managing fiscal risks prudently under Section 107(2)(f) of the PFM Act.

Committee Recommendations

The Committee recommends that the County Attorney in collaboration with the CECM Finance, submit a detailed litigation status report for the Kshs. 38,308,420, and all outstanding receivables over 2 years old. The report shall also contain: (a) specific cases filed and their current status, (b) cases where alternative dispute resolution is being pursued, (c) a schedule of debts written off or classified as bad debts, and (d) a clear recovery strategy and timelines for the remainder. This report shall be submitted to the Office of the Auditor-General within ninety (90) days of adoption of this report.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

5.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts and actual amounts of Kshs. 650,000,000 and Kshs. 551,250,422 respectively resulting in under collection of Kshs. 98,749,578 or 15% of the budget.

The under collection affected planned activities and may have impacted negatively on service delivery to the residents of Kwale County.

Management Response

The management submitted that the under collection of revenue was occasioned by suspension of the operation of the finance Act 2024 by court and subsequent late passing of the finance Act 2025 by the county Assembly.

Committee Observations

The Committee observed that;

- 1) The Committee observed a significant under-collection of own-source revenue, amounting to Kshs. 98,749,578, which represents a 15% shortfall against the approved budget of Kshs. 650,000,000.
- 2) The failure to meet revenue targets, attributed to delayed legislative frameworks, demonstrates a weakness in budget execution and revenue planning. Such underperformance directly impacts the county government's ability to finance its planned development Programmes and deliver services, potentially leading to stalled projects and accumulation of pending bills, undermining the objectives of devolution under Article 174 of the Constitution.

Committee Recommendations

The Committee recommends that;

- 1) The County Treasury, led by the CECM for Finance, shall, within ninety (90) days, develop and present to the County Assembly for adoption, a comprehensive Revenue Enhancement Plan. This plan must include strategies for diversifying revenue sources, leveraging technology for collection, and engaging the public early in the budget process to mitigate the impact of delayed legislative approvals, in line with Section 107 of the PFM Act, 2012 on fiscal responsibility; and

- 2) The National Treasury is urged to ensure timely and predictable disbursement of the equitable share to counties, as per Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012, to enable counties to effectively implement their budgets and mitigate cash flow challenges that can affect local revenue collection efforts.

6.0 Unresolved Prior Year Audit Matters

In the prior year's audit report, several issues were raised under the Report on the Revenue statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Receiver of Revenue in 2024/2025 revealed that the following eight (8) issues remained unresolved as at 30 June, 2025:

Table 2: Unresolved Prior Year Audit Matters

No.	Audit Issue
1	Variances between ledgers and revenue statement balances
2	Inaccurate and unsupported waivers
3	Variances in commissions revenue
4.	Non-disclosure of unreceipted revenue
5	Unsupported parking fees
6.	Unsupported arrears of revenue
7.	Failure to formulate technical minerals harvesting committee
8.	Weak internal controls on revenue collection

Source: County Executive of Kwale

Management Response

Table 3: Prior Year Audit Issues

No.	Audit Issue	Management Response
1	Variances between	<i>The variances in financial statement figures and system</i>

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

	ledgers and revenue statement balances	<i>generated ledger figures is because of adjustments for revenue receipted in the current financial period but banking had been done in previous financial period. This is necessary as some of our clients make payments but do not turn up for receipting in time and since revenue was recognized on cash basis, this kind of receipts could not be deemed to be related to the current financial period.</i>
2	Inaccurate and unsupported waivers	<i>The waivers related to hospital fees which were treated as hospitals administrative functions and not revenues and therefore not captured in Kwale E-Pay systems which only captures receipts.</i> <i>However, the waivers were supported and reported accordingly in the financial year 2024/2025.</i>
3	Variances in commissions revenue	<i>The variances arose because of non-remittance of the amounts deducted from payroll due to liquidity challenges caused by delays in disbursements of equitable share from National Treasury to Kwale County Government. Commissions deducted from payroll during the year amounted to Ksh.7,784,145.20. As at close of the year, commissions amounting to Kshs. 3,168,054.20 had not been remitted by the county treasury to the revenue collection account. This amount relates to the months of January, February, March, April and June 2024.</i> <i>Since revenue was reported on cash basis, we reported what was received in the Revenue Collection account. The unremitted arrears have since been remitted and forms part of revenue for the year 2024/2025.</i>
4.	Non-disclosure of unreceipted revenue	<i>The amount of 10,582,441 is banked in our bank account but we could not trace the owners and we did not know what they had paid for hence we could not receipt in Kwale E-Pay.</i> <i>We reported it as revenue because we were reporting on cash basis accounting.</i> <i>The issue has since been resolved through periodic reconciliation of banked revenues enabling us to identify and</i>

		<i>receipt all monies banked on time.</i>
5	Unsupported parking fees -Parking fees amounting to Kshs.19,262,700.00 was not supported by a register of designated parking lots, or any evidence that the county had parking infrastructure with marked and secured parking areas.	<i>The parking revenue is mainly composed of monthly charges on PSVs (matatu and tuktuk) which park on designated bus parks (Ukunda, Lungalunga, Kwale and Kinango).</i> <i>Further, the Kwale County Designated Parking Places Act was passed and is attached in appendix 4.</i>
6.	Unsupported arrears of revenue	<i>The arrears could not be supported by ledgers from system because the system was designed in cash basis hence was not maintaining arrears.</i>
7.	Failure to formulate technical minerals harvesting committee	<i>We are in the process of formulating the committee.</i>
8.	Weak internal controls on revenue collection	<i>Internal controls have been implemented through a role-based system and segregation of duties.</i> <i>Revenue receipting is only possible valid bank or MPESA transaction reference.</i>

Source: County Executive of Kwale

Committee Observations

The Committee observed with concern that eight (8) material audit issues from the prior year remained unresolved. The persistence of these issues, including variances and weak internal controls, indicates a systemic failure by the County Executive to address audit recommendations, undermining the oversight role of the Auditor-General as established in Article 229 of the Constitution. This failure to implement corrective measures constitutes non-compliance with Section 53 of the Public Audit Act, 2015, which requires the accounting officer to take action on audit reports.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Recommendations

The Committee Recommends that: -

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

7.0 Failure to Transfer Collected Revenue to CRF Within the Stipulated Period

Review of the M-pesa statement for the duration between 22 March, 2025 to 30 June, 2025 revealed that the Receiver of Revenue failed to deposit funds collected through the M-pesa account totaling Kshs. 64,446,069 to the County Revenue Fund within five (5) working days as required. Further, review of transfers to the revenue account from M-pesa account revealed that some funds were held for up to 21 days before being transferred to the CRF account contrary to Regulation 81 (2) of the Public Finance Management (County Governments) Regulations, 2015 which provides 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.

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

Management Response

Management explained that instructions have been issued to KCB Bank, Kwale, to transfer all funds to the County Revenue Fund (CRF) account every Monday. Management stated that the bank has been transferring all funds as instructed, except for uncleared cheques, which are transferred in the subsequent transfer period.

Management further explained that MPESA paybill transfers to the commercial bank (KCB) are conducted by designated staff. Delays have occasionally occurred due to factors such as public

holidays, password resets, and system challenges. Management noted that Safaricom Plc has been engaged to facilitate daily automatic transfers from the Paybill account to the bank account to address these challenges and ensure compliance with legal provisions. Supporting details are provided.

Committee Observations

The Committee observed that;

- 1) The Committee observed that the Receiver of Revenue delayed the transfer of Kshs. 64,446,069 collected via M-Pesa to the County Revenue Fund (CRF), holding the funds for up to 21 days against the statutory limit of five (5) working days. This was due to manual transfer processes and limited bank instructions, bypassing automated controls.
- 2) This is a clear breach of Regulation 81(2) of the PFM (County Governments) Regulations, 2015, which mandates prompt payment of all revenue into the CRF. This practice exposes public funds to potential misappropriation, loss, and denies the County Treasury of funds needed for cash management, violating the principle of prudent and responsible use of public money (Article 201(d), Constitution).

Committee Recommendations

1. **The County Governor take disciplinary action against the responsible Receiver of Revenue and any other officers involved in this breach of Regulation 81(2) of the PFM (County Governments) Regulations, 2015. A status report on the disciplinary action taken shall be submitted to the Auditor-General within ninety (90) days from the date of adoption of this report; and**
2. **The CECM for Finance shall, within ninety (90) days, automate the transfer of all mobile money collections to the CRF to ensure real-time or daily compliance with the statutory five-day requirement, and submit evidence of this automation to the Auditor-General.**

8.0 Failure to Appoint a Data Protection Officer and Lack of Approved Cookies Policy on the Entity's Website

Review of the county e-pay revenue management system established that the Receiver of Revenue had not appointed a Data Protection Officer, despite the e-pay revenue system processing large volumes of sensitive personal data related to land transactions, ownership, and citizen identity. There was also no evidence that contact details had been published or shared with the Data Commissioner. In addition, no evidence was provided for audit to show that users were adequately informed of how their personal information is being collected, processed,

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

stored, or shared, thereby creating significant transparency and trust gaps. This was contrary to Section 24(6) and (7) of the Data Protection Act, 2019 that requires all data controllers or processors to appoint a Data Protection Officer (DPO), publish their contact details, and submit the same to the Office of the Data Protection Commissioner.

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

Management Response

Management explained that the County has made considerable progress in registering as a data processor. Management further stated that a Data Protection Officer has been appointed and is mandated to oversee data protection across all County departments and to ensure completion of the registration process. Supporting documentation were provided.

Committee Observations

The Committee observed that;

- 1) the Receiver of Revenue has not appointed a Data Protection Officer (DPO) nor registered the Kwale County e-pay system with the Office of the Data Protection Commissioner (ODPC), in breach of Section 24(6) and (7) of the Data Protection Act, 2019.
- 2) the County website lacks a Cookies Policy and does not provide the mandatory DPO contact details, and that formal registration with the ODPC remains incomplete.

Committee Recommendations

The Committee recommends that;

- 1) The CECM for Finance and ICT shall ensure the formal appointment of a Data Protection Officer for the county government within ninety (90) days of the adoption of this report.
- 2) The County officer in charge of ICT shall finalize the registration of the Kwale County Government as a Data Controller and Data Processor with the Office of the Data Protection Commissioner (ODPC) within ninety (90) days. Evidence of registration and a copy of the Gazetted DPO appointment shall be submitted to the Auditor-General.
- 3) The county website and e-pay system shall be updated within ninety (90) days to include a compliant Cookies Policy and the mandatory contact details of the DPO, in line with transparency principles under Article 35 of the Constitution
- 4) The Auditor-General reports on the status of implementation during the Committee's follow-up.

9.0 Use of Outdated Land Valuation Roll

Review of the valuation roll provided for audit revealed that the County Executive continues to use a manual valuation roll prepared in 2005 for billing and collecting land rates, contrary to statutory provisions that require periodic revision every five (5) years. The roll, which has remained unapproved and updated for approximately twenty (20) years, no longer reflects current market values, changes in land use, or property development within the County. Further, it was also noted that the e-pay revenue management system was configured using obsolete valuation figures, thereby institutionalizing undervalued billing across all ratable properties. This was contrary to Section 109 of County Governments Act, 2012 which provides that a County Government shall cause to be prepared and regularly updated a valuation roll of all ratable property in the area of the County for the purposes of levying rates, ensure that the valuation roll is regularly updated to capture the changes in property values in the County and be on the basis for the levying of rates on rateable property in the County.

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

Management Response

Management explained that the County is in the process of preparing a new Valuation Roll in collaboration with the State Department of Planning. Management stated that the engagement commenced in August 2024, and by June 2025, the Ministry had begun groundwork, including visits and data collection across the County. Management further indicated that the process is expected to be completed by 30th June 2026. A report from the field visits conducted were provided.

Committee Observations

1. The Committee observed that the county continues to use a manual valuation roll from 2005 for billing land rates, which is nearly twenty (20) years old. This practice is in direct violation of Section 109 of the County Governments Act, 2012, which mandates that a county government shall cause a valuation roll to be prepared and regularly updated (typically every five to ten years) for the purpose of levying rates.
2. The use of obsolete data leads to significant revenue loss as it fails to reflect current market values and property developments, undermining the county's fiscal capacity as envisioned in Article 175(b) of the Constitution.

Committee Recommendations

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

1. The Committee recommends that the County Governor to fast-track the preparation of the new Valuation Roll to ensure it is tabled before the County Assembly and approved for use by 30 June 2026. A status report shall be submitted to the Auditor General within ninety (90) days of the adoption of this report.
2. The Committee recommends that the County executives should expedite updating of valuation roll in accordance with Section 3 of the Valuation for Rating Act CAP 266 so as to reflect current market values for optimal revenue collection and comply with the guidelines of the Public Sector Accounting Sector Boards of reporting in the FY 2023/2024.

10.0 Over-Reliance on the Vendor and Developer for Support of Revenue System

Review of County e-pay revenue management system established that the vendor who was in charge of upgrading and maintenance of the e-pay system had full and unrestricted access to critical system components, including the production database, application servers, and system administrative functions. At the time of audit in October 2025, the vendor was solely responsible for the end-to-end lifecycle of the system, encompassing system design, implementation, deployment, and ongoing support. This includes performing database administration, user management, and code deployment activities across both test and live environments which may have resulted in an excessive concentration of control within the vendor who is currently working as the system developer and leading to inadequate segregation of duties between development, system administration, and operational functions of the e-pay revenue management system.

Further, the County did not hold independent rights or secured access to the system source code, technical documentation, or key configuration details necessary for continued system maintenance and sustainability.

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

Management Response

Management explained that the e-pay Revenue Management System is supported by an external consultant who collaborates closely with the County's programmers, hired in 2022 as Finance

Officers – Systems. Management stated that all system updates must be tested by these officers before being deployed to the production environment.

Management further clarified that during the audit, the system was undergoing an upgrade, which necessitated granting the consultant access. Additionally, management indicated that the officers are still undergoing training to stay abreast of emerging technologies, enabling them to better manage and improve the system. Supporting documentation was provided.

Committee Observations

1. The Committee observed that the external vendor maintaining the e-pay system full, unrestricted access to the e-pay revenue system's critical components, including the production database. Furthermore, the county does not hold independent rights to the system's source code.
2. This lack of control creates risk and inadequate segregation of duties, violating the principle of effective internal controls as required by Section 158 of the PFM (County Governments) Regulations, 2015. This arrangement exposes the county to significant operational and security vulnerabilities, including potential vendor lock-in, data manipulation, and system failure

Committee Recommendations

1. **The County Governor, through the CECM for Finance and ICT, shall ensure the county secures full ownership or enters into a legally binding Software Escrow Agreement for the e-pay system's source code and complete technical documentation within ninety (90) days of the adoption of this report. A compliance report must be submitted to the Auditor-General within the same period.**
2. **The county shall immediately develop and implement a knowledge transfer and capacity-building plan for its internal ICT staff to reduce dependency on the external vendor, ensuring they are equipped to manage and administer the system. A status report on this plan shall be submitted to the Auditor-General within ninety (90) days of the adoption of this report.**

11.0 Lack of Standard Payment Documents for Physical Planning and Development Revenue

The statement of receipts and disbursements reflects physical planning and development revenue amount of Kshs.11,495,256 as disclosed in Note 13 to the revenue statements. Review of documents provided for audit revealed that the County did not have a standardized payment document for billing, which results in dependency on physical planners' drafts and land registry

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

for determining client's invoices/charges. The manual system in use is subjective hence susceptible to manipulation.

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

Management Response

Management explained that the collection of Physical Planning (Development Control) fees is guided by the Physical and Land Use Act, 2019, the Public Health Act, and the Finance Act, which provide for applicable charges. Management stated that a standardized and straightforward process has been followed in line with these laws.

Management further noted that the County has automated the process by rolling out the Electronic Development Permitting System in October 2025. Under this system, applicants for development approvals submit their documents and applications electronically, and charges are automatically computed. Management clarified that the issuance of development permits is contingent upon payment of the electronically generated invoice, ensuring standardization and reducing subjectivity in fee collection.

Committee Observations

The Committee noted management's response that the matter has been addressed through the rollout of an Electronic Development Permitting System.

Committee Recommendations

The Auditor-General is requested to review the effectiveness of the new Electronic Development Permitting System in the next audit cycle and report on whether it has successfully standardized the billing process and eliminated the manual, subjective system that was susceptible to manipulation.

12.0 Lack of Change Management Policy and Procedures

Review of documents provided for audit revealed that the Receiver of Revenue had not developed a formal Change Management Policy or documented procedures to guide the review, approval, and implementation of changes to critical systems in the e-pay revenue management system. Further, there was no evidence of a designated Change Management Committee or equivalent governance structure responsible for assessing the technical, operational, and security implications of proposed changes.

Further, review of the e-pay revenue management system established that the Receiver of Revenue did have critical change management documentation, including, authorized change approvals, formal change management registers, test scripts, and signed User Acceptance Testing (UAT) documents. It was not possible to confirm whether changes to the system were properly tracked, independently tested, or formally accepted by the intended users before deployment into the live environment.

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

Management Response

Management pledged to implement a formal Change Management Policy in alignment with the required standards. Management further stated that resources are being sought through the supplementary budget to prepare the policy and ensure its timely approval.

Committee Observations

The Committee observed that the Receiver of Revenue lacked a formal Change Management Policy and documented procedures for the e-pay system. This absence of a structured process for reviewing, approving, and implementing system changes contravenes the requirement for an effective system of internal control as implied by Section 158 of the PFM (County Governments) Regulations, 2015. Without a formal process, including change registers and user acceptance testing, the integrity, stability, and security of the revenue system cannot be assured.

Committee Recommendations

The CECM for Finance and ICT shall develop, approve, and implement a formal Change Management Policy and associated Standard Operating Procedures for all modifications to the e-pay revenue system. A status report and a copy of the approved policy shall be submitted to the Auditor-General within ninety (90) days of adoption of this report.

13.0 Lack of Business Continuity and Disaster Recovery Plans

Review of the e-pay revenue management system established that the Receiver of Revenue of County Government of Kwale had not developed, approved, or tested a Business Continuity or Disaster Recovery Plan for the e-pay revenue management system. In the absence, of a tested Business Continuity or Disaster Recovery Plan, the County is exposed to serious operational and reputational risks, including extended system downtime, loss of critical land data, and an inability to recover national land services promptly following disasters or technical failures.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

Management Response

Management stated that resources are being sought through the supplementary budget to review the County's Risk Management Policy and incorporate Business Continuity and Disaster Recovery Plans. Management further explained that the e-pay Revenue Management System currently performs automatic daily backups to a separate server within the Data Centre to ensure data safety in the event of any eventuality. Additionally, management noted that the County maintains a functional offsite Data Recovery Site mirroring the main system. In the event of a failure at the main Data Centre, operations are seamlessly continued as the system automatically switches to the Data Recovery Site.

Committee Observations

The Committee observed that the county failed to develop, test, and implement a formal Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) for the e-pay revenue management system. This exposes the county to severe operational and financial risks, including extended downtime, data loss, and inability to collect revenue in the event of a disaster. This is a fundamental failure in risk management, contravening the duty of the accounting officer to manage fiscal risks prudently as per Section 107(2)(f) of the PFM Act and to safeguard public assets under Section 149(2)(o) of the PFM Act.

Committee Recommendations

The Committee recommends that the County Governor shall, through the CECM for Finance and ICT, develop, formally test, and implement a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) for the e-pay revenue management system. The County shall provide a status report to the Senate and the OAG within ninety (90) days of the adoption of this report.

14. 0 Lack of Maintenance Records and Service Level Agreements

Review of documents provided for audit revealed that there was no evidence of any documentation relating to maintenance schedules or active Service Level Agreements (SLAs) for key data center infrastructure components, including Heating, Ventilation, and Air Conditioning systems, air conditioners, UPS units, and generators. No records of periodic testing or servicing were provided for audit, compromising the reliability of the data center

operations and exposes the County to service disruptions, reputational damage, and increased operational costs due to emergency repairs.

In addition, physical verification at the data centre revealed that the backup data center with two servers also had no internet and electricity, leaving the receiver of revenue with no backup system and the equipment not put to use.

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

Management Response

Management explained that the Data Centre is a shared service within the County Government of Kwale, with the Department of ICT serving as the custodian of the Service Level Agreement (SLA) related to its operations. Management stated that the Data Centre systems are regularly maintained, with an SLA in place for power backup and the biometric access system, while other systems are maintained in-house by the County Technical Officer. Supporting documentation, including proof of SLA and maintenance records for power backup and the biometric system, were provided.

Management further noted that internet connectivity has been restored at the Data Centre and that discussions are ongoing with KPLC to resolve electricity supply issues and prevent persistent power outages.

Committee Observations

The Committee observed that the Receiver of Revenue failed to develop, approve, or test a formal Business Continuity Plan (BCP) or a Disaster Recovery Plan (DRP) for the e-pay revenue management system. Further, the county failed to maintain schedules or active Service Level Agreements (SLAs) for key data center infrastructure components

Committee Recommendations

The CECM for ICT shall ensure the County Data Centre is fully maintained with active SLAs and documented maintenance schedules for all critical systems (power, cooling, etc.). Uninterrupted power and internet connectivity must be restored and maintained immediately. A status report on the implementation of the BCP, DRP, and data center improvements shall be submitted to the Office of the Auditor-General within ninety (90) days of the adoption of this report.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

15.0 Deficiencies in the Revenue System Usability and User Interface Design

Review of the e-pay revenue management system established system deficiencies in system usability and user interface design including the Graphical User Interface (GUI) which was found to be non-intuitive, with cumbersome menu navigation and inconsistent labeling of fields.

Further, the critical transaction fields (including customer identifiers, receipt references) lacked adequate input validation and sequential structuring, increasing the risk of entry errors. Some system reports such as consolidated e-pay transactions could not be downloaded for instance while the graphics were unoptimized with improper image scaling rendering the images distorted, stretched or squashed.

In addition, there were non-responsive design elements on the dashboard, the system was configured to open PDF documents within the same active window, such that closing the document also terminated the entire system session. This forced users to re-authenticate with a new OTP in order to regain access, resulting in inefficiency and poor user experience the system generated error messages (JSON errors, invalid prompts). The overall user experience (UX) design did not align with standard human-computer interaction principles, thereby complicating navigation on the system due to absence of a formal usability assessment and quality assurance process before deployment.

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

Management Response

The system was developed as system specifications from the Commission on Revenue Allocation. The system was evaluated by the Integrated County Revenue Management System taskforce technical committee in 2020, re-evaluated in February, 2021. Another re-evaluation exercise took place in January 2022 and had no issues.

However, due to rapid change in technology, improvements to the system are paramount to maintain its status as the best. Thus, we will include these improvements in the ongoing system upgrade.

Committee Observations

The Committee observed that the e-pay system's user interface was non-intuitive and deficient, leading to inefficiencies and a poor user experience. Issues such as cumbersome navigation, lack of input validation, and system-generated errors increase the risk of data entry mistakes, user

frustration, and potential manipulation. The failure to conduct a formal usability assessment before deployment contravenes the principle of ensuring an effective and efficient financial management system as required by Section 12(2)(b) of the PFM Act.

Committee Recommendations

- 1. The Office of the County Governor, through the CECM for ICT, shall ensure the e-pay system undergoes a professional usability audit and is redesigned to incorporate modern, human-centered design principles. A compliance report, detailing the changes made and adhering to ISO standards, shall be submitted to the Auditor-General within ninety (90) days of the adoption of this report.**
- 2. The County Governor takes administrative action against the officer(s) responsible for failing to provide documents, such as the CRA system specifications and evaluation reports, to the OAG, as per Section 156 of the PFM Act.**

16.0 Weak Input and Validation Controls over the Revenue System

Review of the e-pay revenue management system established that the system lacked adequate input validation and data integrity controls across various modules creating vulnerabilities that could be exploited by attackers or lead to inaccurate reporting.

Review of the system revealed control gaps including that in the POS Transaction Module, where the system generated “zero (0)” as the unique transaction identified, indicating absence of enforced validation for transaction numbering. In the customer service billing module, the unique identifier numbers were not sequential, increasing the risk of missing or duplicate records; in the customer service billing module, the customer names and customer numbers were missing in several records, undermining accountability.

Additionally, in the customer billing module, the receipt numbers were missing, and the receipt dates were not consistently captured, compromising revenue traceability. Further, in the vehicle management module, the “owner’s name” and the “vehicle name” field captured the “vehicle name,” revealing lack of data validation and field-level input checks.

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

Management Response

Management acknowledged the issue raised and stated that the recommended improvements will be incorporated into the ongoing system upgrade.

Committee Observations

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Committee observed that the e-pay system lacked adequate input validation and data integrity controls across various modules. Critical gaps included the generation of "zero" transaction IDs, non-sequential unique identifiers, missing customer data, and incorrect data in fields. These vulnerabilities significantly increase the risk of inaccurate reporting, revenue leakage, and potential exploitation.

Committee Recommendations

- 1. The CECM for Finance and ICT shall ensure that the ongoing system upgrade comprehensively addresses all identified control gaps. Specific corrections, including enforced sequential numbering, mandatory field validations, and automated data integrity checks, must be implemented.**
- 2. A compliance report detailing these system improvements shall be submitted to the Auditor-General within ninety (90) days of the adoption of this report.**

17.0 System Error in the Revenue System Modules

Review of the e-pay revenue management system revealed that access to one of the system modules consistently generated a Data JSON error and HTTP 404 – “The resource cannot be found” errors indicating that the e-pay revenue managements system experienced processing failures in retrieving or rendering data during module execution. The errors were occasioned by deficient system coding or configuration, broken links, inadequate testing and quality assurance procedures prior to deployment, and lack of effective monitoring and error-handling mechanisms within the Revenue System.

In the circumstances, the effectiveness of the internal controls on the e-pay system could not be confirmed.

Management Response

Management acknowledged the issue raised and stated that the Terms of Reference for the system upgrade will be revised to include this matter and ensure it is corrected.

Committee Observations

The Committee observed that the e-pay system contained critical coding and configuration errors, as evidenced by recurring Data JSON and HTTP 404 errors. These errors, which hindered access to key modules, indicate a failure in pre-deployment testing and quality assurance. This compromises the system's reliability and availability, which is essential for

effective revenue collection and contravenes the requirement for a properly functioning financial management system under Section 12(1)(e) of the PFM Act.

Committee Recommendations

The Committee recommends that the Office of the County Governor ensure that all identified system errors are rectified immediately and subjected to comprehensive testing prior to redeployment. A compliance report shall be submitted to the Auditor-General within ninety (90) days of adoption of this report.

18.0 Lack of Comprehensive Audit Logs in the Revenue System

Review of e-pay revenue management system established that the system specifications was to be designed with an audit trail. Further review revealed that there was no evidence that the system maintains comprehensive audit logs capable of tracking user activity, access patterns, timestamps, or actions performed within the revenue system. The only logs generated by the system were limited to automated database backup records, and occasional search activity logs (e.g., “vehicle searched” or “business searched”). The inability to trace user actions compromises oversight and investigation of fraudulent or unauthorized activities, prevents management from detecting unauthorized modifications to revenue records in contravention to Regulation 22 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the effectiveness of the internal controls on the e-pay revenue management system could not be confirmed.

Management Response

Management explained that the system maintains comprehensive audit trails to ensure full traceability of transactions. Management further stated that the audit log report, which is currently being generated, will be enhanced during the ongoing system upgrade to display additional information.

Committee Observations

The Committee observed that;

- 1) The e-pay system’s user interface is non-intuitive, with cumbersome navigation and inconsistent field labelling, thereby affecting efficient revenue processing.
- 2) Management failed to provide documentary evidence of the CRA system specifications or the alleged evaluation reports for the period 2020–2022.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Recommendations

The Committee recommends that

1. The Office of the County Governor ensures the e-pay system is reconfigured or upgraded to generate and securely retain comprehensive audit logs for all critical transactions and user activities. The logs must include user ID, timestamp, IP address, and details of the action performed.
2. The system upgrade must be designed to comply with ISO/IEC 9241-210:2019 for user experience and incorporate robust logging capabilities. A compliance report, including a sample of the new audit log, shall be submitted to the Auditor-General within ninety (90) days of adoption of this report.
3. The County Governor takes administrative action against the officer(s) who failed to provide documents to the auditors, as per Section 156 of the PFM Act.

19.0 System Access Rights in Excess of the User Requirements

Review of the audit trail system log files revealed that there were four (4) employees, who are not designated IT System Administrators, but hold extensive and unrestricted access rights spanning both financial and system administrative modules within the e-pay revenue management system.

These access privileges confer high-level control across critical functions, resulting in an inappropriate concentration of authority within individual user accounts. Such aggregation of roles constitutes a violation of access control and segregation of duties principles. The absence of adequate role-based restrictions significantly increases the risk of unauthorized transactions, manipulation of data, or misuse of system functionalities. Moreover, this practice is inconsistent with established industry standards for access management and internal control.

In the circumstances, the effectiveness of the internal controls on the e-pay revenue management system could not be confirmed.

Management Response

Management explained that the four officers mentioned—the Director of Revenue, two Assistant Directors, and a Finance Officer – Systems (Developer)—were assigned administrative roles to provide adequate support to users whenever issues arose. Management further stated that, based on the auditors' recommendations, the administrator role will henceforth be limited to the designated System Administrators only.

Committee Observations

The Committee observed that;

- 1) The Committee observed a fundamental and pervasive breakdown in access controls and segregation of duties within the e-pay system. Four (4) non-IT officers, including senior revenue officials, held extensive, unrestricted system administrative rights. Furthermore, multiple employees had roles that combined incompatible functions, such as transaction initiation, authorization, and approval (e.g., a user acting as both Cashier and Manager).
- 2) These practices are a direct violation of Regulation 110(2)(c) of the PFM (County Governments) Regulations, 2015, which mandates the institution of access controls, including segregation of duties. This creates an unacceptably high risk of unauthorized transactions, data manipulation, and fraud, and is inconsistent with established internal control principles.
- 3) Management failed to provide system-generated user access reports to confirm that the excess privileges had been revoked in the live production environment.

Committee Recommendations

The Committee recommends that;

- 1) **The Office of the County Governor enforce the principle of least privilege by ensuring strict segregation of duties and limiting administrative rights exclusively to designated IT System Administrators. A compliance report, including a current user access matrix, shall be submitted to the Auditor-General within ninety (90) days from the date of adoption of this report.**
- 2) **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.**

20.0 Lack of Segregation of Duties of User Roles and System Rights

Review of the user access rights for the e-pay revenue management system established that several employees had roles that combine transaction initiation, authorization, and approval functions, contravening segregation of duties principles, for instance Cashier and Billing Clerk, Cashier and Licensing Officer, Cashier and Manager (or Supervisor), System Administrator and any Revenue Role such as the Cashier, Billing, Licensing, Manager and Revenue Officer and Reconciliation Officer.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

In the circumstances, the effectiveness of internal controls and risk management on e-pay revenue management system could not be confirmed.

Management Response

Management explained that the issue raised arose from staffing constraints, which necessitated assigning multiple rights to a single individual to ensure continuity of services. Management further stated that a review of the rights assigned to officers is ongoing to ensure that segregation of duties is achieved for critical functions. Supporting documentation was provided.

Committee Observations

The Committee observed that;

- 1) A fundamental breakdown in segregation of duties within the e-pay revenue management system, where certain officers held combined roles enabling them to initiate, authorize, and approve financial transactions.
- 2) Management failed to provide system-generated user access reports to confirm that corrective measures had been implemented in the live production environment.

Committee Recommendations

The Committee recommends that;

- 1) The county immediately reconfigures the e-pay system to enforce strict segregation of duties, ensuring that no single officer can initiate, authorize, and approve the same financial transaction. A compliance report detailing the system reconfiguration and new role definitions shall be submitted to the Auditor-General within ninety (90) days of the adoption of this report.
- 2) 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.

21.0 Inadequate Enforcement of Physical Security and Surveillance at the Data Centre.

The audit of CCTV monitoring controls of the County Government of Kwale data center revealed inadequacies in coverage of critical areas including that the Data Centre was not under active surveillance. Review of the physical security at the County Government of Kwale data center revealed that although the Data Center was equipped with biometric and lock-and-key access mechanisms, physical access remained weak as the facility lacked reinforced grilled

doors, making entry relatively easy. In addition; the server room door was left open due to power tapping from the Data Center, the IT Department did not maintain a visitor/access register to track and record the activities of individuals accessing the Data Center.

Further, it was observed that the Data Center had no fire extinguisher installed within the facility, exposing the equipment to damage in the event of a fire outbreak and that the facility lacked appropriate signage to clearly identify it as a restricted and controlled-access area as a Data-Center.

In the circumstances, the effectiveness of physical controls at data center could not be confirmed.

Management Response

Management explained that CCTV is installed at the entrance of the Data Centre, and additional cameras will be mounted inside to enhance monitoring. Management further stated that the building hosting the Data Centre is manned by armed police officers and that the County is committed to reinforcing the entrance door with grills and installing an intrusion detection system to strengthen both physical and logical access controls. Management noted that the logical security system will maintain all access logs for effective management.

Management also indicated that the risk of fire is mitigated by a fire extinguisher mounted outside the Data Centre, complemented by an automatic fire extinguishing system installed inside the facility.

Committee Observations

The Committee observed that;

- 1) The Committee observed that physical and environmental controls at the County Data Centre were grossly inadequate. Critical areas lacked CCTV surveillance, the server room door was insecure, and there was no visitor access register.
- 2) The facility suffered from leaking roofs, water intrusion, faulty air conditioning, and poor cable management. These conditions are in direct breach of multiple sections of the Data Centre Standard (ICTA.2.2.002:2023) and expose critical county infrastructure and data to significant risks of theft, damage, and service disruption. This represents a failure in the accounting officer's duty to safeguard public assets under Section 149(2)(o) of the PFM Act.

Committee Recommendations

The Committee recommends that;

PAPER AID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- 1) The County Governor ensure immediate enhancement of physical security at the Data Centre through installation of a comprehensive 360-degree CCTV surveillance system with motion-sensing capability in compliance with ICTA.2.2.002:2023 standards, and submit a compliance report to the Auditor-General within ninety (90) days from the date of adoption of this report.
- 2) 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.
- 3) A compliance report, including photographic evidence of all remedial actions and signed-off by the relevant Chief Officers, shall be submitted to the Auditor-General within ninety (90) days.
- 4) The County Governor shall take administrative action against the officer(s) responsible for failing to provide documents to the auditors, as per Section 156 of the PFM Act.

22.0 Inadequate Environmental Hygiene Controls in the Data Centre

Physical inspection of the Data Center revealed that the Data Center was musty due to leaking roofs, and floor indicating water intrusion. The air conditioner responsible for cooling the servers in the Data Center was observed to be faulty, resulting in improper temperature regulation within the facility. Additionally, water did not flow from the cooling ducts, indicating malfunctioning or blocked ducts, thereby compromising the system's ability to maintain adequate cooling.

In addition, there were visible damages on the floors and walls, with peeling paint as evidenced by moisture seepage and dust accumulation on server racks, fire suppression ducts, power equipment, unused racks, equipment surfaces, and ventilation ducts, highlighting the absence of routine cleaning and maintenance protocols.

Further, it was observed that cables were lying on the floor without proper trays or conduits, showing lack of structured cable management and housekeeping practices.

In the circumstances, the effectiveness of physical controls with regards to the data centre could not be confirmed.

Management Response

Management committed to repainting the walls of the Data Centre. Management further explained that the Data Centre operates with two air conditioners, one of which was under maintenance at the time of the audit; however, it has since been serviced and is now in good working condition.

Committee Observations

The Committee observed that the Kwale County Data Centre has leaking roofs and floors, resulting in water intrusion, in breach of Section 10.1.3 of the Data Centre Standard (ICTA.2.2.002:2023).

Committee Recommendations

- 1. The Committee recommends that the County Governor engage the Department of Public Works to carry out immediate roofing and floor repairs to eliminate water intrusion, and submit a completion report to the Auditor-General within ninety (90) days from the date of adoption of this report.**
- 2. The CECM for ICT shall ensure the repair or replacement of the faulty air conditioning system and implement structured cable management within 90 days from the adoption of this report.**
- 3. A compliance report, including photographic evidence of all remedial actions and signed-off by the relevant Chief Officers, shall be submitted to the Auditor-General within ninety (90) days**

23.0 Unsupported Revenue Receipts to Invoices in the Revenue System

Analysis of the e-pay revenue management system Receipts in comparison to the System Invoices, established that there were thirty-one thousand, seven hundred and seventy-eight receipts (31,778) with no corresponding invoice in the system, amounting to Kshs.63,251,748. It was noted that these receipts were not e-pay receipts that require System Check-ins.

The revenue sources were therefore untraceable through the standard billing and invoicing process, creating the risk of off-book revenue collection.

In the circumstances, the effectiveness of internal controls and risk management on e-pay revenue management system could not be confirmed.

Management Response

Management explained that revenue comprises two elements: structured revenue, which is billable, and unstructured revenue, which is ad hoc and does not necessarily require issuance of

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

a bill. Management noted that 20,746 of the affected receipts relate to unstructured revenues collected through USSD, while the remaining 11,032 receipts are system-generated and have valid bills in the system.

Management further clarified that all system-generated receipts must be matched with an invoice, and no transaction can be receipted without a valid invoice. Supporting documentation was provided.

Committee Observations

The Committee noted management's explanation that the receipts without invoices pertained to unstructured revenue. As the matter is marked as resolved, the recommendation is for continued monitoring.

Committee Recommendations

The Auditor-General is requested to keep the reconciliation between all revenue types (structured and unstructured) and system invoices under review during the next audit cycle to ensure the control environment remains effective and all revenue is fully traceable.

24.0 Voided Receipts

Review of the e-pay revenue management system revealed that forty-five (45) receipts totaling Kshs.2,985,529 were voided during the period under review. Out of the 45 voided invoices, five (5) totaling Kshs. 550,102 were paid Kshs. 97,200 during the year. No supporting documentation such as justification notes, approval by a responsible officer, or a voids register was provided for audit verification.

In the circumstances, the effectiveness of the internal controls and risk management on the e-pay revenue management system could not be confirmed.

Management Response

Management clarified that the identified transactions that were voided relate to invoices, not receipts. The majority of these voided invoices were Point of Sale (POS) check-in bills, voided for the following reasons:

1. System failures in retrieving the invoices in the receipting window, rendering them unreceiptable.
2. Human error in date selection during the check-in process, including selection of longer periods than intended or erroneously selecting multiple transactions.

Management further reported that the voided invoices were regenerated and receipted accordingly. In addition, they committed to enhancing the system to ensure that future voiding requests, including justifications and approvals, are processed through the system.

Committee Observations

1. The Committee observed that forty-five (45) transactions (invoices) totaling Kshs. 2,985,529 were voided without any supporting documentation, justification, or formal approval. Of particular concern, five (5) of these voided invoices had actual payments of Kshs. 97,200 recorded against them.
2. The complete lack of an audit trail for these voided transactions is a serious breach of internal controls and creates a significant risk of revenue leakage and fraud. This contravenes the fundamental requirement to maintain proper records and audit trails under Section 149(2)(b) of the PFM Act and Regulation 22(1)(b) of the PFM (County Governments) Regulations, 2015.

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, 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 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;**
- 3) **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**
- 4) **The Ethics and Anti-corruption Commission investigates the forty-five (45) voided transactions to determine whether funds were utilized for purposes approved by the Controller of Budget.**
- 5) **The CECM for Finance ensure the e-pay system is enhanced to prevent the voiding of any transaction without an automated, auditable workflow that requires justifications and multi-level approvals.**

PAPERS L11D	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

25.0 Variance between “Revenue Analysis by Revenue Type” and the “Total Revenue” System Reports

Review of the e-pay revenue management system established material inconsistencies between the “Revenue Analysis by Revenue Type” report and the “Total Revenue” report across multiple revenue streams. As indicated in the table below, the variances amount of Kshs.8,367,355 for the sampled streams. The negative variances indicate that the figures in the Revenue Type report were lower than those captured in the Total Revenue report.

Table 5: Revenue Analysis

Revenue Code	Revenue Type	Revenue Analysis by Revenue type Amounts (Kshs)	Total Revenue analysis (Kshs)	Variance (Kshs)
1520202	Business Permits, Current Year	77,785,305	79,162,505	(1,377,200)
1520101	Land Rates Current Year	28,216,366	28,512,317	(295,951)
1530301	Sand, Gravel and Ballast Extraction Fees	21,130,181	23,709,781	(2,579,600)
1580220	Ward Services Fee	16,040,406	17,116,456	(1,076,050)
1520102	Land Rates Penalties	10,951,618	11,189,716	(238,098)
1590135	Road Shows	10,290,000	10,350,000	(60,000)
1520103	Land Rates Other Years	10,237,265	10,308,707	(71,442)
1590112	Building Plan Approval Fee	8,875,156	9,028,081	(152,925)
1550211	Other Vehicles Enclosed Park Fees (cars, lorries, etc.)	8,189,450	8,796,050	(606,600)
1520602	Liquor License	8,089,500	8,323,500	(234,000)
1550221	Street Parking fee	7,635,510	8,262,710	(627,200)
1550201	Enclosed Bus Park Fee	7,550,900	8,231,850	(680,950)
1530303	Mineral Extraction Royalties (cement, silica etc.)	4,073,180	4,440,520	(367,340)
	Total	219,064,838	227,432,193	(8,367,355)

Source: County Executive of Kwale

This indicates inadequate reconciliation controls over report definitions, poor data mapping practices, and absence of automated consistency checks across reporting modules. Failure to implement adequate reconciliation controls between report generators and report tables exposes the County to the risk of material misstatement of own source revenue, potential revenue leakage, and inaccurate financial reporting.

In the circumstances, the effectiveness of the internal controls on the e-pay revenue management system could not be confirmed.

Management Response

Management explained that the identified variances arose from inconsistencies in system report templates and filter criteria. They further indicated that the ongoing system upgrade will address the issues raised.

Committee Observations

The Committee observed that:

- 1) Material variances exist between the “Revenue Analysis by Revenue Type” and “Total Revenue” reports, making it impossible to verify actual revenue collected.
- 2) No evidence was provided to confirm that the ongoing system upgrade will harmonize the reporting templates.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor undertakes administrative action against the accounting officer, the Chief Officer Finance, the Head of County Treasury and any other officer(s) responsible for failure to undertake reconciliation of financial statements within the stipulated timelines and submit a status report to the Committee within 90 days of adoption of this report.**
- 2) **The County Governor must ensure strict adherence to the Public Audit Act, 2015 by providing accurate and reliable reconciliations of the financial statements, payment details and the vote books during the audit cycle.**
- 3) **The County Executive to identify training needs of its staff serving in the Finance Department and initiate capacity building and training in conjunction with the National Treasury within 90 days of adoption of this report.**

26.0 Non-Alignment of Revenue Systems with the Revenue Streams

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Review of the e-pay revenue management system further revealed that while the system had eighty-four (84) revenue streams configured, the Chart of Accounts for the County statements presented thirty (37) revenue streams. Further, there was no evidence of restructuring and updating the system to reflect any consolidation of Revenue Streams in the County Executive. In addition, review revealed a lack of one-to-one mapping between system streams and financial statement streams which made revenue reconciliation cumbersome and obscured the transparency of revenue reporting.

In the circumstances, the effectiveness of internal controls on the e-pay revenue management system could not be confirmed.

Management Response

Management explained that the e-pay revenue system is configured according to the standard chart of accounts used in IFMIS. However, financial statements are prepared following templates issued by the Public Sector Accounting Standards Board (PSASB), whose grouping of revenues does not align with the system's eighty-four (84) revenue streams. This necessitates manual reconciliation of the revenue streams to fit into the financial reporting template's thirty-seven (37) categories.

Committee Observations

The Committee observed that;

- 1) The Committee observed disconnect between the e-pay revenue system and the financial statements. The system operates with eighty-four (84) revenue streams, while the financial statements report on only thirty-seven (37). Management did not provide documented evidence showing how the 84 system streams were mapped to the 37 reporting streams.
- 2) This misalignment, without a documented and auditable mapping framework, renders the reconciliation process cumbersome, opaque, and prone to error. This undermines the transparency and accountability of revenue reporting, contravening the principles of clear fiscal reporting in Article 201(e) of the Constitution and the requirement to follow the standard chart of accounts under Regulation 40 of the PFM (County Governments) Regulations, 2015

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor shall, within ninety (90) days of the adoption of this report, cause the County Treasury to develop and formally document a clear, auditable**

mapping framework that reconciles the eighty-four (84) system revenue streams with the thirty-seven (37) reporting streams required by the Public Sector Accounting Standards Board (PSASB). This mapping must be submitted to the Auditor-General for validation.

- 2) The County Governor undertakes administrative action against the accounting officer, the Chief Officer Finance, the Head of County Treasury and any other officer(s) responsible for failure to undertake reconciliation of financial statements within the stipulated timelines. A progress report, including the mapping and a system integrity certificate from ICTA, shall be submitted to the Auditor-General within ninety (90) days of the adoption of this report.

CHAPTER SEVEN

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

The Governor of Elgeyo Marakwet County Executive Hon. Wisley Rotich appeared before the Committee on Friday, 6th February, 2026 to respond (under oath) to audit queries raised in the Reports of the Auditor General on Financial Statements County Executive, Receiver(s) of Revenue (ROR) and County Revenue Fund(CRF) for Elgeyo Marakwet for the Financial Year 2024/2025.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF ELGEYO MARAKWET FOR THE FINANCIAL YEAR 2024/2025

Basis of Qualified Opinion

1.0 Inaccuracies in Property, Plant and Equipment Balance

1.1 Variance in Property, Plant and Equipment Balance

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The statement of financial position reflects property, plant and equipment balance of Kshs. 8,676,298,839 which differs with the corresponding Note 26 to the financial statements that reflects Kshs. 8,656,393,383 resulting to an unexplained variance of Kshs. 19,905,456.

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

Management Response

The amount of Kshs. 8,676,298,839 reflected in the Financial Statements represents the book value (cost) of Property, Plant and Equipment (PPE), while the amount of Kshs. 8,656,393,383 represents the net book value after deducting accumulated depreciation for the financial year.

The resulting variance of Kshs. 19,905,456 therefore relates to depreciation charged during the year on PPE, as disclosed in the Statement of Financial Position under Note 34.

Management notes that the Financial Statements for FY 2025/2026 will be amended to appropriately disclose the opening PPE balance of Kshs. 8,656,393,383 to enhance clarity and consistency in financial reporting.

Committee Observations

The Committee observed that the financial statements submitted by the Accounting Officer contained material inconsistencies, as the balance for Property, Plant and Equipment (PPE) reported in the statement of financial position (Kshs. 8,676,298,839) did not agree with the amount disclosed in the accompanying notes (Kshs. 8,656,393,383), resulting in an unexplained variance of Kshs. 19,905,456. This misstatement contravenes the principle of fair presentation required by the PFM Act and the Public Sector Accounting Standards (IPSAS).

Committee Recommendations

The Committee recommends that;

- 1. The Accounting Officer restates the financial statements for the year ended 30th June 2025 to correct the inconsistency in the Property, Plant and Equipment balance. The restated statements must accurately reflect the net book value in accordance with IPSAS and the reporting formats prescribed by the Public Sector Accounting Standards Board (PSASB), and be submitted to the Auditor-General within ninety (90) days of the adoption of this report.**
- 2. The Office of the Auditor-General to keep the matter in view and conduct follow-up audits on classification practices in subsequent financial years.**

1.2 Recognition of Property, Plant and Equipment from Defunct Local Authorities without Valuation

The statement of financial position reflects property, plant and equipment balance of Kshs. 8,676,298,839 as disclosed in Note 26 to the financial statements. Included in this balance is property, plant and equipment acquired from the defunct local authorities of Kshs. 568,889,166 without valuation as summarized at Appendix VIII to the financial statements.

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

Management Response

Management reported that Property, Plant and Equipment inherited from defunct local authorities, valued at Kshs. 568,889,166, have not yet been fully valued because the handover and verification process with the Inter-Governmental Relations Technical Committee (IGRTC) is still ongoing. Management noted that the valuation of movable assets has been completed, while immovable assets are yet to be valued.

Management further indicated that the valuation process is expected to be completed by 30th June 2026, and due to budgetary constraints, the associated costs will be provided for in the FY 2026/2027 budget. Management committed to ensuring that all assets are valued in accordance with accrual accounting timelines as guided by the National Treasury.

Committee Observations

The Committee observed that Property, Plant and Equipment worth Kshs. 568,889,166, inherited from defunct local authorities, was recognised in the financial statements without a professional valuation. This practice is contrary to the accrual basis of accounting and undermines the accuracy and reliability of the county's asset base as required by the PFM Act and the transition to IPSAS.

Committee Recommendations

The Committee recommends that;

1. The County Governor engages a qualified government valuer, in collaboration with the Intergovernmental Relations Technical Committee (IGRTC), to complete the valuation of all inherited immovable assets within ninety (90) days of the adoption of this report.
2. The County Governor submits the valuation report and any necessary adjustment to the financial statements (prior period adjustments, where applicable) to the Auditor-General within ninety (90) days of the adoption of this report.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- The Auditor-General keeps the matter in view and report in subsequent audits to ensure all inherited assets are properly valued and recognised in the county's fixed asset register and financial statements.

2.0 Biological Assets

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

In the circumstances, accuracy, valuation and completeness of the biological assets balance of Kshs. 274,642,715 could not be confirmed.

Management Response

Management reported that the Biological Assets balance of Kshs. 274,642,715 represents the historical cost of all biological assets acquired, including seedlings and breeding stock. Management further noted that the fair value of these assets will be addressed during the ongoing asset verification and valuation exercise in the County.

Management clarified that there were no changes in the fair value of these biological assets during the financial year, as any acquisitions of seeds and breeding stock are recognized under goods and services when distributed directly to farmers.

Committee Observations

The Committee observed that;

- The County Executive failed to account for biological assets and the reported balance of Kshs. 274,642,715 could not be verified.
- The management lacked a system to distinguish between assets (e.g., breeding stock) and assets distributed to farmers (e.g. seedlings) leading to misclassification of expenses as assets.

Committee Recommendations

The Committee recommends that;

- The County Governor to categorize all biological assets (livestock, crops, plantations), distinguish assets from expenses, adopt IPSAS -Compliant valuation methods and reflect their fair value changes annually and submit a comprehensive list to the Auditor-General for verification within 90 days of adoption of this report.

- 2) the Auditor-General verify progress on these measures and submit a status report to the Senate within 90 days of adoption of this report.**

3.0 Misstatements in Statement of Cash Flows

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

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

Management Response

The management noted the omission of cash flows from investing activities totaling Kshs. 232,460,457, which relates to the purchase of Property, Plant, and Equipment during the year. Management further indicated that comparative figures will be restated to correct the omission in the Statement of Cash Flows for the financial year 2025/2026. An extract of the reconciled Statement of Cash Flows as at 30th June 2025 was provided.

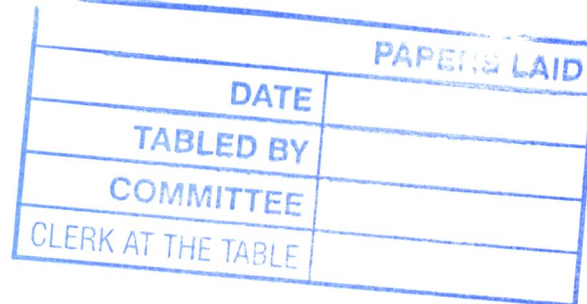
Committee Observations

The Committee observed a significant reporting gap, where Kshs. 232,460,457 relating to the purchase of Property, Plant, and Equipment (PPE) was omitted from the financial statements, indicating that the County Executive failed to comply with Section 194(d) of the PFM Act.

Committee Recommendations

The Committee recommends that;

- 1. The Accounting Officer reconciles the omitted amount of Kshs. 232,460,457 with the Fixed Asset Register and restates the Statement of Cash Flows to include all investing activities. The reconciled and restated statement must be submitted to the Auditor-General within ninety (90) days of the adoption of this report.**
- 2. The County Governor, in collaboration with the National Treasury and PSASB, organises mandatory, targeted training for all accounting officers and finance staff on IPSAS accrual-based reporting, with a specific focus on the preparation of the Statement of Cash Flows, within ninety (90) days of the adoption of this report**



4.0 Non-Disclosure of Returns to County Revenue Fund from County Executive

The statement of financial performance of the County Executive did not disclose returns to County Revenue Fund. However, statement of performance of County Revenue Fund reflects returns from County Executive of Kshs. 17,775,994 as disclosed in Note 9 to the financial statements and as detailed below;

Description	2024/2025 (Kshs)
Recurrent Account – County Executive	3,868
Development Account – County Executive	14,797,126
Other Salary Suspense Account	2,975,000
Total	17,775,994

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

Management Response

Management acknowledged the omission and provided a reconciled extract of the Statement of the financial statement as at 30th June 2025.

Committee Observations

The Committee observed a material omission in the County Executive's financial statements. Returns to the County Revenue Fund (CRF) totalling Kshs. 17,775,994, which were correctly reported in the CRF's statements, were not disclosed in the Executive's own statement of financial performance. This failure to report all revenues and reconcile with the CRF is contrary to the principle of completeness in financial reporting as required by the PFM Act.

Committee Recommendations

The Committee recommends that;

1. The Accounting Officer restates the financial statements to include all returns made to the County Revenue Fund and submits the revised statements to the Auditor-General within ninety (90) days of the adoption of this report.
2. The County Treasury and the Office of the County Governor must ensure that going forward, all financial transactions between the County Executive and the County Revenue Fund are accurately and completely disclosed in the respective financial statements to ensure full transparency and accountability.

5.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts recurrent and development combined had an approved final budgeted receipt of Kshs. 6,043,895,538 against actual receipts of Kshs. 5,013,283,841 resulting to under-funding of Kshs. 1,030,611,607 or 17% of the budget. Similarly, the County Executive spent Kshs. 4,748,941,101 against actual receipts of Kshs. 5,013,283,841 resulting to under-expenditure of Kshs. 264,342,740 or 5% of the actual receipts.

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

Management Response

The County approved budget for FY2024/2025 was **Kshs. 6,043,895,538** while receipts during the same period was **Kshs. 5,013,283,841**. The balance of **Kshs. 1, 030,611,607** was mainly due to none receipt of donor funds/conditional grants as listed below:

Donor/Conditional Grant Source	Approved Budget	Actual Receipts	Balance
DANIDA	5,947,500	5,947,500	-
Kenya climate Smart Agriculture program	10,918,919	-	10,918,919
Kenya Livestock commercialization project	40,150,000	39,998,624	151,376
Emergency Locust Response project	121,025,000	-	121,025,000
Food Systems Resilience Project (FSRP)	173,076,923	70,127,132	102,949,791
Financing Locally Led Climate Action Program (FLoCCA)	180,000,000	10,293,610	169,706,390
Nutrition International (NI)	477,400	-	477,400
Kenya Informal Settlement Improvement Program II – IDA	261,751,540	260,000,000	1,751,540
Kenya Informal Settlement Improvement Program II- IFAD	239,000,000	-	239,000,000
County Aggregated Industrial Park	250,000,000	-	250,000,000
Kenya Urban Support	53,278,289	41,251,578	12,026,711

PAPERS LAIN	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Programme			
KDSP-II	37,500,000	-	37,500,000
Community Health Promoters	37,200,000	-	37,200,000
RMLF	150,644,148	52,755,391	97,888,757
Total	1,560,969,719	480,373,835	1,080,595,884

The difference between the actual receipt of Kshs 5,013,283,841 and expenditure of Kshs 4,748,941,101 of Kshs 264,342,740 reflects part of the amount not spent on roll over projects.

Committee Observations

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 budget execution.

Committee Recommendations

The Committee recommends that;

- 1) The National Treasury ensures the timely and predictable release of funds to county governments in strict adherence to the cash disbursement schedules approved by the Senate, as mandated by Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act.
- 2) The County Executive puts in place robust measures to enhance the collection of its own-source revenue. This includes fully operationalising the revenue management system, plugging revenue leakages, and implementing strategies to meet or exceed its annual revenue targets to cushion the county against external funding shortfalls.
- 3) The County Executive must ensure that future budget estimates are realistic and based on achievable revenue projections to minimise the gap between approved budgets and actual receipts

6.0 Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the report on Financial Statements, Report on Lawfulness and Effectiveness in the use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, review of their status during the audit of the Executive as at 30 June, 2025 indicated that the issues remained unresolved.

Management Response

Table 1 Prior Year Audit Matters

Issue Ref.	Issue Summary	Recommendation(s)	Management Response
CPAC -1	Variances Between Financial Statements and IFMIS Records	Management to fast-track reconciliation of variances with the National Treasury on timely basis within sixty days from the date of adoption of this report	The variances between Figures as per IFMIS records and Financial Statements resulted from Journals in IFMIS which did not complete the process due to system errors. The County Treasury processed all payments through the system but some transactions were not reflected in the IFMIS ledgers thus causing the variances. Through the technical assistance from the National Treasury, the county treasury has resolved all discrepancies between the County's financial statements and IFMIS records. The figures as per the IFMIS records and Financial Statements now agree. A copy of the updated IFMIS generated report and the table for comparative figures between the Financial Statements and Updated IFMIS records is attached (<i>Annex 2 (i) – (iii)</i>).
CPAC -2	Unsupported Health Facilities Operational Bank Balances	Management should ensure timely preparation of bank reconciliation as prescribed by Regulation 90(1) of the Public Finance Management (County	All the Bank statements, Bank Reconciliation statements and the Cashbooks are at the health facilities. The Board of survey, bank reconciliations and bank statements as at 30 June 2024 of the sampled health facilities have been verified and attached

PAPERS L...	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

		Governments) Regulations, 2015	(Annex 2(iv)).
CPAC -3	Un-supported Pending Bills	The County Government pay verified pending bills amounting to less than Kshs.1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2024/2025; and	The increase in pending bills was mainly due to delayed exchequer disbursements in June 2024. All verified pending bills were fully paid within the 2024/25 financial year in accordance with the approved payment plan submitted to the Controller of Budget. (Annex I: Schedule of Paid Pending Bills; Annex 2(v): Evidence of Payments)
		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	The County Government prepared and submitted a comprehensive pending bills payment plan to the Controller of Budget, prioritizing pending bills as a first charge on the County Revenue Fund in compliance with Regulation 41(2) & (3). (Annex III: Approved Pending Bills Payment Plan; Annex 2(vi): Submission Letter to the Controller of Budget)

		subsequent quarter budget releases will not be done;	
		County Government 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; Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary reallocations out of the approved budget estimates;	Management confirms that only pending bills arising from duly approved procurement plans were verified and paid. Supplementary budgets were prepared during the third quarter to rationalize expenditures and curb arbitrary reallocations outside approved budget estimates. (Annex 2(vii): Approved Procurement Plans; Annex 2(viii): Approved Supplementary Budget Estimates)
		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	In consultation with the Controller of Budget, the County Government made adequate budgetary provision for completion of all ongoing projects before initiation of new ones, as reflected in the FY 2025/2026 budget estimates. (Annex 2(ix): FY 2025/2026 Budget Estimates)

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

		cease until completion of the existing projects; and County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets.	Public participation was conducted and documented during the formulation of the supplementary budget, and evidence thereof was submitted to the Controller of Budget prior to approval, in compliance with constitutional and statutory requirements.
CPAC -4	Budgetary Control and Performance	Management should ensure it has in place realistic budget estimates that can be supported with adequate documentation	The amount of Kshs. 1,298,269,439 reflected in statement of comparison of budget and actual amounts recurrent and development combined is the difference between approved final budgeted receipts of Kshs. 5,820,971,067 and the actual receipts of Kshs. 4,522,701,628. The under-performance in receipts is attributed to funds not received by the County Government during the year. The amount not received consists of; (i)Sh. 384,116,256 from the Equitable share

			(ii)The amount includes Sh. 13,995,363 from Own Sources Revenue which had not been transferred to County Revenue Fund during the period. (iii)The County Government did not receive funds totaling to Kshs. 301,672,145 from the following donors during the year: Kenya climate Smart Agriculture program Kshs 90,000,000, Livestock Value chain support project Khs. 35,809,200, Provision of fertilizer subsidy program Kshs. 63,970,782, County Aggregated Industrial Park 100,000,000, Transfer for Library service Kshs. 5,795,078, and Kenya Urban Support Programme 6,097,085. (iv) The unspent balances of Sh. 332,664,513 in form of Cash and Cash equivalent as at 30th June ,2024 which was rolled over and re-budgeted in the FY 2024/2025. The County Government did not receive undisbursed donor funds totaling to Sh. 301,672,145 in the financial year 2024/2025. We confirm that Sh. 384,116,256 relating to Equitable share for FY 2023.2024 was received by
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PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

			the County Government on 26th July 2024 (Extract of CRF Bank Statement is attached marked (<i>Annex 2(x)</i>)).
CPAC -5	Unresolved Prior Year Audit Matters	The Audit committee of the County should address all the issues on a timely basis as they await parliamentary recommendations	The county executive is committed to implementation of all prior year audit issues upon resolution by the county assembly whose process has been initiated through the county assembly public accounts committee.
CPAC -6	Unsupported Expenditure on Legal Services	•The accounting officer to always ensure to provide all supporting documents during audit.	The expenditure of Kshs. 2,730,778 paid for outsourced legal services has been properly regularized. Supporting documentation including signed contract agreements, itemized fee notes, rates applied as per advocate act and court judgements are attached (<i>Annex 2 (xi) – (xiii)</i>).
		•All outsourced legal services should be approved by the County Executive Committee	Going forward the county executive shall ensure that all outsourced legal services shall be approved by the county executive
CPAC -7	Excessive Budgetary Allocation to the County Assembly	The Management should adhere to Regulation 25 (1)(f) of Public Finance Management (County Governments) Regulations, 2015	The excess allocation arose from ceilings approved nationally through the County Allocation of Revenue Act (CARA) following a 2014 court ruling, leaving the County Executive without control over the amounts. The County has

			since aligned allocations to comply with Regulation 25(1)(f) of the PFMR, 2015 in the FY 2024/2025 budget.
CPAC -8	Failure to Adhere to Ethnic Diversity Requirement in Employment	Management should ensure that at least a third of their staff composition comes from other ethnic groups.	The County inherited a workforce predominantly (95%) from the dominant ethnic community due to staffing from defunct Local Authorities and low external applicant interest, partly caused by insecurity. During FY 2023/2024, twenty-four health services positions were advertised externally; two successful candidates were from less dominant communities. Recruitment records, advertisements, and list of appointed officers are attached (<i>Annex 2 (xiii) – (xv)</i>).
CPAC -9	Conflict in the Law- The Elgeyo Marakwet Equitable Development Act, 2015	Repeal the Equitable Development Act (EDA Act), 2015 and address the conflicts noted with the law.	The County acknowledges the conflicting provisions between the EDA Act, 2015 and national legislation (PFM Act, Public Procurement and Asset Disposal Act, Constitution of Kenya). The County Executive, in consultation with the County Assembly, has initiated amendments to align the Act with national laws (<i>Annex 2(xvi)</i>).
CPAC -10	Conflict of Interest by Members of County Assembly on the County	Repeal the Equitable Development Act (EDA Act), 2015 and address the	The County acknowledges that the EDA Act allowed MCAs to participate in executive functions through Ward Development

PAPERS Laid	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

	Executive Functions	conflicts noted with the law included awarding tenders for ward-based contracts	Committees contrary to the County Governments Act. The Executive, in consultation with the County Assembly, has initiated amendments to remove such provisions and ensure full separation of powers (<i>Annex 2(xvi)</i>).
CPAC -11	Partial Funding of Projects	Construction of intake weir and pipelaying of gravity main at Boroko Water Project in Embobut Embolot Ward amounting to 3,999,950	Due to Budgetary constraints the project is to be implemented in phases. The construction of intake weir and pipelaying of gravity main at Boroko Water Project in Embobut Embolot Ward has been done. The County has allocated KES 855,000 in FY 2025/2026 for pipeline extension. Attached Approved ADP FY 2025/2026. (ANNEX D). The project has also been proposed for funding of KES 5,000,000 during FY 2026/2027 for tank and pipeline. (<i>Annex 2(xvii)</i>)
		Construction of intake weir, pipelaying and rerouting of Chawenga water project in Sambirir Ward amounting to 3,146,200	The construction of intake weir, pipelaying and rerouting of Chawenga water project in Sambirir Ward has been done. The department will allocate funds for construction of gravity main, Water storage tanks and pipeline distribution in the subsequent financial years. An excerpt of CIDP 2023-2027 (See pge 436) is attached (Marked Annex 2(xviii))

		Drilling and Solar Equipping of Kapchelimbo Water Project in Soy North Ward amounting to 2,994,750	The ADP for 2025/2026 FY has provided for pipeline (Kshs. 0.5m). See attached ADP excerpt. (Marked Annex 2(xix))
		Proposed Supply and delivery of Pipes to Sing'ore Dam Kibendo and Kapton water project in Emsoo Ward amounting to ksh. 2,250,000	Pipeline worth Kshs 0.4 done during FY24/25. Further a budget of Khs 1.0m allocated through FLLoCA program. See attached ADP excerpt & 24/25FY FLLoCA workplan. (Marked Annex 2(xx)).
		Construction of intake weir And pipelaying of gravity main at Erau-Chugor water project in Sambirir Ward amounting to Ksh. 2,099,890	The construction of intake weir and pipelaying of gravity main at Erau-Chugor water project in Sambirir Ward has been done. The County will allocate funds for piping and construction of water tank in the subsequent financial Years An excerpt of CIDP ;2023-2027 (See pg.436) is attached (Marked Annex 2(xxi))
		Borehole Drilling at Kogibor Water Project in Kabiemit Ward amounting to Ksh. 2,014,000	The borehole drilling at Kogibor Water Project in Kabiemit Ward has been done. The County will allocate funds for installation of Solar Pumping system, pipeline and construction of water tank in the subsequent financial years An excerpt of CIDP ;2023-2027 (See pg.442) is attached (Marked Annex 2(xxii))

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

CPAC -12	Non-Compliance with the 35% Wage Bill	Management should adhere to Regulation 25(1)(b) of the PFM Act, (County Government) Regulations 2015	The wage bill reached 55% of total revenue in FY 2023/2024 due to salary increments, statutory employer contributions, CBAs, and inherited staffing levels from defunct Local Authorities. To progressively reduce the wage bill to within the 35% threshold by June 2028, the County has adopted measures including: (i) entry-level replacement hiring; (ii) staff rationalization and redeployment; (iii) commission-based pay for revenue functions; and (iv) enhanced local revenue mobilization.
CPAC -13	Stalled Proposed Maintenance of Chepkerengoi Road in Sengwer Ward	The Management should fast track the completion of the project.	The clogged culverts have been cleaned and now effective as shown by the photos Annex 2(xxiii)
CPAC -14	Irregular Funding National Government Functions	The management should ensure adherence to the provisions of the Constitution in implementation of County projects.	Sports and Early Childhood Development (Pre-Primary) and Child care facilities are devolved functions as per the Schedule Four of the Constitution, While Education (Primary and Secondary School) is a national function. However, most of the ECD centers are historically co-located with/within the public schools. This necessitating sharing of common areas and amenities including fields. The members of the Public also utilize School fields for Sporting and Social purposes.

			In order to guarantee continued access by ECD learners and members of the public to sports grounds, we have signed MOU with the County Director of Education (for Ministry of Education) to guide the development and utilization of the sports fields and courts. Attached MOU / template. Annex 2(xxiv)
CPAC -15	Irregular Payment of College Fees for KMTC Students	Management should ensure that college fee is paid through the education fund as provided by the act avoiding duplication of roles and possible loss of funds	Previously the department of Sports, Youth Affairs, Culture, Children and Social Services gave bursaries as a social protection initiative targeting the vulnerable students in the society but currently, we have streamlined the issuance whereby it's being handled by Department of education and technical training which has an established structure of issuing bursaries through bursary fund committee.
CPAC -17	Non-Adherence to One Third Pay Policy	The human resource department should ensure that all members of staff are earning above the minimum salary allowed by the employment act 2007.	The management has taken note of the issues raised which were caused by mandatory statutory deductions during FY 2023/24 including: (a) Public Service Superannuation Scheme (7.5%), APFUND/LAPTRUST (12–15%) – Annex 2(xxv); (b) NSSF Act, 2013 (6% employer + 6% employee; Tier I

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

			& II; increase from Ksh 200 to Ksh 360) – <i>Annex 2(xxvi)</i>; and (c) Affordable Housing Levy (1.5% gross salary) – <i>Annex 2(xxvii)</i>. - the county has strengthened Payroll controls, non-statutory deductions rescheduled to ensure compliance.
CPAC -18	Irregular Implementation of Income Generating Activity Program (IGA)	To make IGA program sustainable and achieve its intended objectives, the management of county executive should take full ownership and responsibility of the program and set measurable targets for the program, establish a clear implementation strategy to provide guidance	Previously IGA Project identification and vetting for beneficiaries was done through Ward Development Committees (WDCs) as stipulated under EDA act 2015. However, on the basis of the guidance provided during the audit review and due to insufficiency in the mentioned implementation framework, the county has Developed Youth and Special Interest Group's Empowerment Policy that will guide in the implementation of IGA. The policy will address; I. The composition of the committees both the steering and the ward level II. Mandate of the committees III. Selection criteria of the groups IV. Capacity building and training

			V. Monitoring and evaluation framework Annex 2(xxviii) - cabinet minutes extract and the Policy.
CPAC -19	Understaffing of Internal Audit Department	Management should ensure that the internal audit is adequately staffed	The County Government faces budgetary constraints that have limited recruitment to the approved staff establishment. However, measures have been put in place to progressively address this gap, including: deploying two additional staff from the department of finance & economic planning. The county is planning to recruit two additional staff in the current FY 2025/26, With phased recruitment plan to reach the approved establishment in line with available resources. Attached are the deployment letters (<i>Annex 2(xxix)</i>..
CPAC -20	Operational Shortcomings in the Audit Committee	Audit Committee should be functional to ensure that they meet, write reports and recommendation for improvement of the internal control systems	Management has taken comprehensive measures to strengthen the Audit Committee and address all identified gaps. In FY 2025/2026, the County Government directed all departmental Accounting Officers to address outstanding issues raised by Internal Audit within their respective departments. A structured tracking system shall be established to ensure preparation of quarterly status reports which

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

			will be presented to the Audit Committee for monitoring and follow-up. In 2025/26FY, the county has enhanced the budget for audit committees to enable the Audit Committee regularize its operations. The appointment letters and acceptance documentation for all members, including the Chairperson, have been corrected, dated, and properly recorded in a correspondence register. The Committee has already approved the Internal Audit Annual Work Plans for FY 2023/2024 and FY 2024/2025 and developed a Board Calendar to guide its activities. Registers for declarations of interest, gifts, and attendance have been opened and are in active use, ensuring that Committee activities are compliant with governance requirements. To enhance capacity and align with best practices, Audit Committee members underwent training on Public Sector Audit Committee Guidelines and Internal Audit Templates during a sensitization workshop held in Naivasha from 23–27 october 2023. This training has strengthened the Committee's
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			ability to discharge its oversight role and to perform quality reviews. Budgetary provision has been made in the current financial year to support regular meetings of the Audit Committee. Invitations, notices, and agendas will be issued in advance, and minutes of deliberations will be recorded and filed. The Committee will review internal audit reports, and discuss the previously pending reports. A copy appointment letters, acceptance letters training certificates and budget for 2025/26FY are attached (<i>Annex 2(xxx)</i>).
CPAC -21	Information and Communication Technology (ICT) Controls and Data Environment	should constitute an ICT Steering Committee, install smoke detector and environmental monitoring and control system, a biometric access control system and extend the CCTV camera to the data centre to restrict and monitor access. Amongst other measures	The County Government has addressed the ICT control deficiencies as follows: ICT Security Policy and Disaster Recovery Plan – The ICT Policy has been reviewed and now incorporates ICT security measures, disaster recovery, business continuity, and change management procedures. The draft updated policy has been attached (Annex 2(xxxi)). ICT Steering Committee – The proposed draft ICT Steering Committee has been submitted

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

			awaiting cabinet approval and operationalization. Terms of reference and membership records are indicated (<i>Annex 2(xxxii)</i>). Access Control to Data Centre – A biometric fingerprint scanner has been installed at the ICT office entry point, with plans to extend it to the server room. Surveillance & Environmental Monitoring – a budget has been set aside in 2025/26 FY for procurement of CCTV surveillance, smoke detector and environmental monitoring system. Attached is the votebook indicating the budget amounts (<i>Annex 2(xxxiii)</i>).
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Committee Observations

The Committee observed that several critical audit issues from prior years, covering financial statements, lawfulness, and effectiveness in using public resources, remained unresolved as of 30th June 2025. This persistent failure to address audit queries demonstrates a systemic weakness in the county's internal controls and a lack of accountability by the management.

Committee Recommendations

The Committee recommends that:

1. The County Governor submits a comprehensive, time-bound Audit Resolution Matrix to the Senate and the Auditor-General within ninety (90) days of the adoption of this report. This matrix must detail specific actions taken, responsible officers, and clear timelines for the final closure of all outstanding audit matters listed in the report.
2. The County Executive must ensure that the audit committee is fully functional and actively monitors the implementation of both internal and external audit recommendations, as required by Regulation 167 of the PFM (County Governments) Regulations, 2015

7.0 Failure to Establish a County Budget and Economic Forum

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

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

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

Management Response

The Committee was informed that the County Budget and Economic Forum (CBEF) was established and gazetted on 12th April 2024. A copy of the Gazette notice was provided for review.

Committee Observations

The Committee noted that the County Executive provided necessary documents to support establishment of CBEF. The CBEF was gazetted on 11 April 2024.

Committee Recommendations

The Committee recommend the matter be marked as resolved.

8.0 Excessive Budgetary Allocation to the County Assembly

Review of budget documents revealed that the County Assembly of Elgeyo Marakwet was allocated Kshs. 619,407,879 which is equivalent to 12% of the County Government's total revenue of Kshs. 5,013,283,841. The approved allocation to the County Assembly would have been Kshs. 350,929,869 or 7% of the County total revenue. The excess allocation of 5% or Kshs. 268,478,010 is contrary to the provisions of Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the approved expenditure of a County Assembly shall not exceed seven percent (7%) of the total revenue of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.

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

Management Response

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management explained that the County Executive has no control over the amounts allocated to County Assemblies. The allocation process follows a court ruling in 2014, under which the Commission on Revenue Allocation (CRA) recommends annual budget ceilings for County Assemblies, and the Senate approves them under the County Allocation of Revenue Act (CARA). Management noted that the apparent conflict between Section 25(1)(f) of the PFM Regulations, 2015, and the CARA creates operational challenges, and harmonization of the statutes is necessary to ensure clarity in budgetary processes.

Committee Observations

The Committee observed that the allocation to the County Assembly of Kshs. 619,407,879 (12% of total revenue) exceeded the statutory limit of 7% of total revenue or twice the personnel emoluments of the assembly, whichever is lower, as provided by Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015. While acknowledging the constitutional role of the County Assembly, this represents a breach of the fiscal responsibility principles.

Committee Recommendations

The Committee recommends that;

- 1) **The County Treasury ensures that in all subsequent financial years, the budget proposals for the County Assembly strictly adhere to the statutory limit set out in Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015.**
- 2) **The National Treasury, the Commission on Revenue Allocation (CRA), and the Senate initiate a joint review to harmonise any conflicting provisions in the PFM Regulations and the annual County Allocation of Revenue Act (CARA) to establish a clear and consistent legal framework for determining County Assembly budget ceilings.**
- 3) **The Commission on Revenue Allocation (CRA) assesses the items within County Assembly budgets (e.g., car grants, mortgages) that contribute to exceeding the 7% limit and provides recommendations to the Senate on treating these as one-off or conditional allocations to ensure they do not inflate the recurrent baseline.**

9.0 Failure to Appoint a committee to Guide the Transition from Cash to Accrual Accounting

The County Executive did not plan adequately to transition from cash basis of reporting to accrual reporting in accordance with The National Treasury Circular No 3/2025 dated 14 April, 2025 guidelines. The County Executive did not appoint a Steering Committee and a project manager to guide the transition and therefore, there was no road map for transitioning.

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

Management Response

Management stated that the County established a steering committee to oversee the transition to accrual-based accounting following the issuance of guidelines in April 2025. Prior to this, the County, in collaboration with the National Treasury, trained staff on the accrual transition while awaiting the guidelines and Terms of Reference (TORs) from the National Steering Committee. Full implementation could not commence before the adoption of the TORs and issuance of guidelines. Management further reported that the committee members have been trained and a project manager has been appointed to oversee implementation, including operationalization of asset management, asset disposal criteria, and project budget monitoring. Copies of membership, TORs, work plans, and appointment letters were provided.

Committee Observations

The Committee observed that the County Executive failed to timely appoint a Steering Committee and a project manager to oversee the transition to accrual accounting, as required by National Treasury Circular No. 3/2025. This delay constituted a breach of policy and hindered proper planning for this critical financial reform.

Committee Recommendations

The Committee recommends that;

- 1) The Office of the County Governor to operationalize the newly appointed Steering Committee and Project Manager to execute the transition roadmap within ninety (90) days of the adoption of this report.**
- 2) The County Treasury to submit a detailed, time-bound implementation schedule, including milestones for asset stock-taking and staff capacity building, to the Auditor-General within ninety (90) days from the date of adoption of this report.**
- 3) The Auditor-General to verify the progress of the transition and provide a status report to the Senate within ninety (90) days from the date of adoption of this report.**

10.0 Irregular Acting Appointments

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

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

Management Response

Management acknowledged that some officers have served in acting capacities beyond the stipulated period and indicated that the County Government is in the process of regularizing these appointments.

Committee Observations

The Committee noted that;

- 1) Seven (7) senior County Government officials served in acting capacities beyond the statutory six (6) months period, contrary to Section 34(5)(b) of the Public Service Commission Act, 2017 (Revised 2023).
- 2) Two (2) officers, including the Director of Human Resources and Director of Alcoholic Drinks Control Fund, held acting positions without formal appointment letters.
- 3) The County Public Service Board failed to provide evidence of efforts to recruit substantive officers for these positions, undermining statutory requirements for timely deployment of competent personnel.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor to regularize all acting appointments, ensuring that officers either receive substantive appointments or their acting roles be terminated, in line with Section 34(5)(b) of the Public Service Commission Act, 2017(Revised 2023).
- 2) The County Governor undertakes administrative action against the responsible officer(s) who failed to provide the requisite documentation to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.

11.0 Failure to Convert Casual Employment to Permanent Basis

Review of payroll revealed that the County Public Service Board engaged ninety-five (95) employees for the Department of Lands and thirteen (13) employees at the Governor's office on

temporary basis on a three months' renewable contract on 1 July, 2016. However, they have served continuously since then. The employees' terms of employment were not converted to permanent contrary to Section 37 of the Employment Act, 2007 which provides for conversion of the casual employment to regular employment terms for employees who have worked in an entity continuously for more than two (2) months.

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

Management Response

Management reported that the County Government was in the process of regularizing the 13 employees at the Office of the Governor, noting that these positions are provided for in the current recruitment plan and signed staff establishment. Management further indicated that the 95 casuals in the Department of Lands were engaged on a need basis. Supporting documents including a letter from the Chief Officer in the Office of the Governor, sample indents from officers of the Governor, and a letter to the Department from Lands and Physical Planning were provided.

Committee Observations

The Committee observed that ninety-five (95) employees in the Department of Lands and thirteen (13) in the Office of the Governor have been engaged on a continuous basis since 2016 under short-term, renewable contracts. This practice contravenes Section 37 of the Employment Act, 2007, which provides for the conversion of casual employees to regular terms of employment after a continuous period of service. This exposes the employees to job insecurity and denies them rightful benefits.

Committee Recommendations

The Committee recommends that;

- 1) The County Public Service Board, within ninety (90) days of the adoption of this report, reviews the status of all long-serving casual and temporary staff and converts those who meet the legal threshold under Section 37 of the Employment Act, 2007, to permanent and pensionable or fixed-term contract terms, as appropriate.**
- 2) The County Governor conducts a comprehensive audit of all casual and temporary staff across all departments to establish their duration of service, terms of engagement, and compliance with labour laws, and submits this report to the Auditor-General within ninety (90) days of the adoption of this report.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

12.0 Irregularities in Management of Human Resources

Review of the employee costs revealed the following anomalies;

12.1 Lack of Annual Recruitment Plans

Review of records revealed that the County Executive recruited fifteen (15) employees during the year. However, it did not have recruitment plans to guide the recruitment process. In addition, no evidence was provided for review to prove that the recruitment of the fifteen (15) employees was budgeted for contrary to Section 59(1)(g) of the County Governments Act which requires the County Public Service Board to facilitate the development of a coherent, integrated human resource planning and budgeting for personnel emoluments in counties.

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

Management Response

Management reported that the irregularity had been corrected. Management stated that, in the current financial year, the County Government ensured that no recruitments were undertaken without an approved annual recruitment plan. Management further indicated that the preparation of the Annual Recruitment Plan was at its final stages and provided a draft plan from the Public Service Management unit were provided.

Committee Observations

The Committee observed that the County Executive recruited fifteen (15) employees without an approved Annual Recruitment Plan, in contravention of Section 59(1)(g) of the County Governments Act, 2012. Furthermore, no evidence was provided to demonstrate that these recruitments were budgeted for, indicating a failure in human resource planning and fiscal discipline.

Committee Recommendations

The Committee recommends that;

1. The County Governor and the County Public Service Board submit to the Auditor-General and the County Assembly an approved Annual Recruitment Plan for the current financial year within ninety (90) days of the adoption of this report.
2. The County Governor ensures that all future recruitments are strictly based on an approved Annual Recruitment Plan and that adequate budgetary provision has been made for the personnel emoluments.
3. The Auditor General to keep the matter in view in the subsequent audit cycle.

12.2 Variance in Employee Numbers

Comparison of employees list provided by chief officers of respective departments as at 30 June 2024 against list of employees extracted from the IPPD system, established that there were twelve (12) employees in the IPPD system that were not in the employee list provided by chief officers. The twelve (12) employees were paid Kshs. 3,993,880 during the period under review.

In the circumstances, the actual number of employees could not be confirmed.

Management Response

Management confirmed that the twelve (12) employees omitted from the lists submitted by Chief Officers are bona fide employees of the County Government. The omission arose because some officers retired during the financial year, while others were under disciplinary action and had their salaries stopped. Management explained that Chief Officers relied on payroll listings of paid staff, which excluded officers whose salaries had been deleted or suspended. Supporting documentation was provided, including deletion sheets for retired officers, salary stoppage records, and retirement notices.

Committee Observations

The Committee noted a Kshs. 3,993,880 payment discrepancy involving twelve (12) employees who were in the payroll (IPPD) but were not listed in departmental staff returns. While management provided an explanation for the omission (retirements, disciplinary suspensions), this incident highlights a systemic failure in the reconciliation between departmental human resource records and the central payroll system.

Committee Recommendations

The Committee recommends that;

- 1. The County Governor establishes and operationalises a unified, real-time staff register that captures all appointments, retirements, resignations, and salary stoppages. This must be complemented by mandatory monthly reconciliations between departmental staff returns and the IPPD system, in line with Public Service Commission payroll management guidelines, within ninety (90) days of the adoption of this report.**
- 2. The County Governor submits to the Auditor-General a certified and fully reconciled staff list, duly endorsed by the Accounting Officer, confirming the alignment between departmental records and the IPPD payroll, within ninety (90) days of the adoption of this report.**
- 3. The Auditor General to keep the matter under review in subsequent cycle.**

12.3 Non-Adherence to One Third Pay of the Basic Salary Policy Rule

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Review of the Integrated Payroll and Personnel Database (IPPD) and Human Resources Information Systems (HRIS) for the County Government revealed various totals in twelve months from July, 2024 to June, 2025 which indicated the number of employees who earned less a third of their basic pay as tabulated below;

Month	Jul	Au g	Se p	Oc t	No v	De c	Ja n	Fe b	Ma r	Ap r	Ma y	Ju n
No. of Officers below a Third	16 3	154	14 6	37 1	260	2	98	12 3	135	120	142	19

This was contrary to Section (19)(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of Sub-Section (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

Management Response

The management submitted as follows;

- a) **Pension** Deductions: Some employees earned less than one-third of their basic salaries due to the phased implementation of the Public Service Superannuation Scheme, which increased employee pension contributions to 7.5% by January 2023. In addition, employees enrolled in LAPFUND or LAPTRUST pension schemes contributed between 12% and 15% of basic and house allowance, resulting in over-commitment of payslips.
- b) Implementation of the NSSF Act, 2013: Management attributed further salary over-commitments to the mandatory implementation of enhanced NSSF contributions from July 2023, requiring both employer and employee contributions of 6%, including Tier I and Tier II deductions. This particularly affected employees who were previously exempt or already contributing to other pension schemes.

- c) Affordable Housing Levy: Management reported that the introduction of the Affordable Housing Levy in July 2023, requiring a mandatory deduction of 1.5% of gross salary from employees, further reduced net pay for affected staff.
- d) Social Health Insurance Fund (SHIF): Management further explained that the implementation of the Social Health Insurance Fund effective 1 July 2024, which required a 2.75% deduction of gross salary, compounded the deductions and contributed to non-compliance with the one-third salary rule.
- e) Supporting Documentation: Management provided supporting circulars and correspondence to substantiate the above deductions were provided.

Committee Observations

The Committee observed gross non-compliance with fiscal responsibility principles and labour laws. The wage bill reached 55% of total revenue, far exceeding the 35% statutory ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015. This is compounded by the fact that up to 371 employees had their net pay reduced below the statutory two-thirds (one-third take-home) threshold in some months, contravening Section 19(3) of the Employment Act, 2007. These practices are fiscally unsustainable and financially oppressive to employees.

Committee Recommendations

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

13.0 Special Audit of the Payroll

13.1 Irregular Budgeting of Employee Costs

audit established that the ratio of the budgeted compensation of employees to budgeted revenue exceeded 35% in the three (3) financial years which were reviewed and reported (2022 - 38%, 2023 - 43% and 2024 - 43%). This was contrary to Regulation 25(1)(b) of Public Finance

	PAPERS LA
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management (County Governments) Regulations, 2015 which limits the County Governments' expenditure on wages and benefits to a maximum of 35% of total revenue for the year.

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

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

Management Response

Management stated that the high personnel emoluments percentage was due to the continued salary harmonization by the Salaries and Remuneration Commission (SRC) across the public service, as guided by various SRC circulars, including SRC/ADM/CIR/1/13 Vol. III(127); SRC/TS/CGOVT/3/16 – Remuneration and Benefits for Staff Serving in the County Government of 29th July 2013; SRC/TS/MDP/3/1/2(2) – Implementation of the Revised Allowance in the Public Service of 11th August 2015; SRC/TS/CGOVT/3/61 Vol.III/(136) – Health Workers Allowances of 14th September 2015; SRC/TS/HWI/3/23 VOL.I(61) – Emergency Call Allowance and Health Workers Service Allowance for Clinical Officers and Other Health Workers of 9th March 2017; the return-to-work agreement from the Consultative Meeting ending the Nurses' Strike of 2nd November 2017; and SRC/TS/JE/CG/3/33/6 VOL.III(30) – Implementation of Job Evaluation Results: Phase IV Salary Review for County Government Employees of 8th July 2020.

Management further explained that the designation of Elgeyo Marakwet County as a hardship area justified the payment of hardship allowances to staff, in accordance with the SRC circulars.

In addition, Collective Bargaining Agreements (CBAs) signed between the National Ministry of Health and health staff unions contributed significantly to the increase in personnel emoluments, resulting in non-compliance with the PFMA . Low equitable share allocations from the Commission on Revenue Allocation (CRA) and limited own-source revenue also compounded the wage bill issue.

To mitigate the ballooning wage bill and address non-adherence to the 35% personnel emolument ceiling set out in the PFMA, the County adopted the strategy recommended by the Select Committee on Budget and Appropriation of the Elgeyo Marakwet County Assembly. This strategy involves freezing the employment of new staff except for replacements through retirements or natural attrition in key professional cadres, including Agriculture, Livestock, Water, Roads & Public Works, and Early Childhood Development, as outlined in the Report on the County Fiscal Strategy Paper (CFSP), 2018.

Committee Observations

The Committee observed that the County Executive has consistently failed to maintain its wage bill within the statutory limit, with actual expenditure reaching as high as 55% of total revenue.

Committee Recommendations

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

13.2 Irregular Engagement of County Employee

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

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

Management reported that the County Government duly engaged the officer, who is currently serving at the County Government of Elgeyo Marakwet. Management further stated that a disciplinary process has been initiated against the officer and a show cause letter has been issued.

Committee Observations

The Committee observed a severe breach of ethics and the law where an employee was simultaneously engaged by two different county governments, drawing a total of Kshs. 2,315,500 in gross salaries. This contravenes Section 26 of the Leadership and Integrity Act, 2012, which prohibits a full-time state officer from engaging in other gainful employment. This incident points to a complete failure in pre-employment verification and payroll controls.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor finalises the disciplinary process against the officer involved and submits a status report to the Auditor-General, including evidence of the final action taken and the full recovery of the irregularly paid funds, within ninety (90) days of the adoption of this report.**
- 2) The County Public Service Board and County Treasury must strengthen pre-employment verification procedures. This must include mandatory written declarations of any other employment and a formal inter-county confirmation process before any engagement of staff.**
- 3) The County Treasury strengthens its payroll controls to prevent any duplicate or irregular engagements, in compliance with Section 149(1)(a) of the PFM Act and Regulation 39(1)(b) of the PFM (County Governments) Regulations, 2015.**
- 4) The Auditor-General maintains follow-up on the matter in subsequent audit cycle to confirm full compliance.**

13.3 Circumventing Payroll Controls to Pay Irregular Salary Arrears

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

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

Management Response

Management reported that arrears were paid using the payroll code 872 – Gross Monthly Pay, which represents the total arrears calculated for an officer, encompassing all applicable allowances such as basic salary, rental allowance, hardship allowance, and commuter allowance. Management further explained that during the tabulation of arrears, a detailed breakdown of each allowance is prepared, with the total arrears amount posted under Gross Monthly Pay.

Management noted that Gross Monthly Pay is no longer treated as a separate allowance in the system. Previously, this code was used to pay consolidated remuneration to the Governor, Deputy Governor, County Executive Committee Members (CECMs), and Board members. Currently, these payments have been disaggregated into individual components, including Basic Salary, Rental Allowance, Commuter Allowance, and Salary Market Adjustments, to improve transparency and compliance with payroll regulations.

Committee Observations

The Committee observed that management aggregated arrears under a single payroll code due to system limitations.

Committee Recommendations

The Committee recommends that;

- 1) The County Treasury should strengthen payroll controls to ensure compliance with Section 149(1)(a) of the PFM Act , Regulation 39(1)(b) of the PFM (County Governments) Regulations, 2015, and Section B.7 of the Human Resource Policies and Procedures Manual (2016).**
- 2) The Auditor-General maintains follow-up on the matter in subsequent audit cycles to confirm full compliance.**

13.4 Irregular Payment of Hardship Allowance

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

In the circumstances, the regularity of the expenditure could not be confirmed.

Management Response

Management reported that former local authority staff were initially remunerated using salary scales rather than job groups. During the devolution process, a separate pay group (Salary Scales, AC) was created for these staff. Upon conversion to job groups, the County Public Service Board directed that these staff retain the AC pay group based on their basic salaries. Management further explained that during this transition, all staff retained under the AC pay

PAPERS LA'	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

group in the IPPD system had their hardship allowance adjusted to 30% of their basic salary, as reflected in their appointment letters.

Committee Observations

The Committee observed that seventeen (17) employees were overpaid a total of Kshs. 632,400 in hardship allowances, constituting a financial loss to the county. Management failed to provide any evidence of recovery or even a formal demand for the overpaid funds, demonstrating a lack of accountability and a failure to safeguard public resources.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.**
- 2) The County Treasury, in collaboration with the HR Department, conducts a full reconciliation of all former local authority staff to ensure that all allowances (hardship, house, commuter) align with substantive appointments and approved pay groups, within 90 days of adoption of this report.**
- 3) The Auditor-General to monitor the recovery progress and confirm in the next audit cycle that all irregular payments have been fully recovered.**

13.5 Non-Deduction and Non-Remittance of Statutory Deductions

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

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

Management Response

Management reported that the County engaged casual workers for conservancy and other routine maintenance tasks. Management further stated that it is committed to deducting and remitting statutory contributions, including PAYE and NSSF, for all casual employees, and to ensure timely submission to the relevant statutory bodies.

Committee Observations

The Committee noted that the County Executive failed to deduct and remit statutory obligations for PAYE, NSSF, and NHIF, including Kshs. 348,000 in PAYE and Kshs. 656,640 in NSSF contributions.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor to undertake administrative action against responsible officer(s) who failed to remit the statutory deductions in accordance with Section 156 of the Public Finance Management Act and provide a status update to the Office of the Auditor General within ninety (90) days from the date of adoption of this report.**
- 2) The Office of the County Governor to clear all outstanding statutory arrears and submit evidence to the Auditor-General within ninety (90) days from the date of adoption of this report.**
- 3) The Auditor-General to keep the matter in view in subsequent audit cycle.**

14.0 Non-Adherence to Ethnicity and Regional Balance in Staffing

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

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

Management Response

Management reported that ECDE caregivers constitute approximately 40% of total County staff. Of the fifteen officers recently recruited, twelve were ECDE caregivers. Given that these officers are not permanent employees and are paid a stipend, the positions do not attract applicants from outside the County.

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management further stated that corrective measures have been initiated to address this disparity. From November 2025, a training needs assessment was conducted across all County departments. Supporting documents, including the advertisement sample ECDE applicants' letters to the Chief Officer Public Service on HR officers and completed training needs questionnaires were provided.

Committee Observations

The Committee observed that;

- 1) there was no ethnic diversity among the County Executive employees.
- 2) due to the homogeneous ethnographic population in most counties, it may not be feasible for them to attain the threshold provided under Section 7(1) and 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of the staff from the same ethnic community.

Committee Recommendations

The Committee recommends that;

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

15.0 Irregularities in Training Management

Examination of human resource records in relation to trainings expenditure revealed that Management did not carry out training monitoring and evaluation, employee performance appraisals and training impact assessments during the year. This was contrary to Section H.3(1) of the Public Service Commission Human Resource manual of May, 2016 which states that training in the Public Service shall be based on training needs assessment. In addition, Section H.3(3) states that selection of trainees for all training programmes will be based on identified needs and will emphasize on training for performance improvement that address individual, organizational and national goals. Further, the criteria of selection of personnel to attend various trainings could not be established because the trainings offered were not linked to employee performance appraisals and identified skills gaps.

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

Management Response

Management reported that the County Government had taken corrective action to address the identified gaps. It was stated that from November 2025, a structured process for conducting training needs assessments was initiated across all County departments. Management further indicated that training programmes were now linked to employee performance appraisals and identified skills gaps, and that selection of trainees was based on actual needs aimed at improving performance and aligning with departmental, organizational, and national objectives. Supporting documentation, including letters to Chief Officers and Human Resource Officers as well as sample completed training needs assessment questionnaires, was provided for audit verification.

Committee Observations

The Committee observed that the County Executive's training programmes were conducted without a proper legal and strategic framework. Management failed to conduct training needs assessments, link training to employee performance appraisals, or carry out post-training impact assessments, contrary to Sections H.3(1) and H.3(3) of the Public Service Commission Human Resource Policies and Procedures Manual (May 2016). This represents a wasteful use of public resources without any guarantee of improved service delivery.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the responsible Chief Officer(s) who failed to establish and maintain the required training management framework, in accordance with Section 156 of the PFM Act. A status report must be provided to the Auditor-General within ninety (90) days.**
- 2) The Office of the County Governor develops and implements a comprehensive Training Policy that mandates annual needs assessments, links all training to performance appraisals and identified skills gaps, and includes a robust post-training impact assessment framework.**
- 3) The County Governor submits a progress report on the implementation of this policy to the Auditor-General within ninety (90) days of the adoption of this report**

16.0 Inefficiencies in the Operation of the Revenue Management System

Review of contract documents for the Revenue Management System revealed that the County Executive contracted a Telcom Company for the design, deployment, and operationalization of the County Revenue Management System at a contract of Kshs. 27,719,658 payable in three phases. The supporting documents revealed that the County Executive paid Kshs. 17,517,718 to

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

the Telcom Company that included a payment of Kshs. 1,296,547 which represents a 4% share of revenue collected for the period from August, 2024 to May, 2025. However, the following weaknesses were noted in the contract;

- i. The system modules for citizen self-service portal, enforcement, and integration with Banks and hospital systems were not operational.
- ii. Integration with the County's banking systems had not been implemented, and manual reconciliations continued to be performed by revenue officers.
- iii. The County Executive had not implemented a hospital revenue management system for hospitals within the County that is linked to the county revenue collection system. The County is therefore unable to centrally oversee the revenue collection and reporting process for the health facilities.

In the circumstances, value for money for the Revenue Management System of Kshs. 17,517,718 could not be confirmed.

Management Response

Management reported the following regarding the Revenue Management System (RMS):

- i) Phased Implementation: The RMS is being implemented in phases. Phase I covers structured revenue streams, while Phase II will integrate self-service portals, bank collection accounts, and hospital fees. Fleet management functions—including daily parking, monthly/seasonal stickers, and enforcement modules—are currently operational in the system. Supporting documentation were provided
- ii) User Training and Certification: System users have been trained, and post-pilot evaluations were conducted. Copies of certificates, post-pilot reports, and training attendance registers have been provided.
- iii) Reporting Capabilities: The RMS can generate reports by revenue stream, ward, collection zone, and sub-county. Sample soft copy reports have been provided.
- iv) Integration of Bank Accounts: Integration of bank collection accounts is scheduled for Phase II. Applications for the necessary approvals with KCB have already commenced.
- v) Hospital Fees Integration: Collection of hospital fees will also be implemented in Phase II of the RMS contract.
- vi) Equipment Provisioning: Seventy (70) Neon Ultra phones and sixty (60) thermal Bluetooth printers have been delivered and issued to revenue officers. Supporting documentation including delivery notes, S11 forms, evaluation and acceptance forms, and distribution schedules has been provided.

Committee Observations

The Committee observed that despite a payment of Kshs. 17,517,718 (63% of the contract sum), the Revenue Management System (RMS) has not delivered value for money. Key modules (citizen portal, bank integration, hospital systems) are non-operational, and manual reconciliations persist. This constitutes a failure to comply with Section 155(5) of the PFM Act, and Regulation 90(1) of the PFM (County Governments) Regulations, 2015, regarding efficient financial management and timely reconciliation of accounts.

Committee Recommendations

- 1. The County Governor ensures the contractor completes the full integration of the RMS with the county's banking systems and the Hospital Management Information System (HMIS) within ninety (90) days of the adoption of this report to eliminate the need for manual reconciliations.**
- 2. The County Governor submits a comprehensive status report on the full operationalisation of the RMS, signed off by the relevant ICT and finance officers, to the Auditor-General within ninety (90) days**

15.0 Irregular Retention of Refundable Deposits and Prepayments

Review of refundable deposits aging analysis revealed that deposits and retentions balances of Kshs. 13,763,797 or 15% have been outstanding between 1 – 2 years, Kshs. 6,699,967 or 7% for between 2 - 3 years and Kshs. 39,691,164 or 42% had been retained for over 3 years with some dating to as back as the year 2015. Management did not explain the reasons for non-settlement of the refundable deposits and prepayments.

In the circumstances, the prolonged non-payment of retention monies may expose the entity to potential litigation, penalties, and interest claims.

Management Response

Management confirms that deposits and retention balances amounting to Kshs. 13,763,797 outstanding for periods of one to two years, Kshs. 6,699,967 outstanding for two to three years, and Kshs. 39,691,164 outstanding over three years are accurately reflected in the deposits ledger.

Retention monies are contractually released to contractors upon submission of a formal application after the lapse of the six (6) months defects liability period and upon issuance of the Certificates of Practical Completion and Handover. However, a significant number of contractors have not submitted applications for the release of the retention monies.

To address the long-outstanding balances, the County Government will undertake a comprehensive verification exercise to establish:

PAPERS L	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- i) Retention monies relating to terminated contracts;
- ii) Retention monies due to contractors who have since ceased operations, changed business ownership, or been declared bankrupt; and
- iii) Retention monies relating to contractors who did not complete works in accordance with the contract terms.

Where retention monies relate to terminated contracts or abandoned projects, the County Government will re-budget and reallocate the funds towards completion of the affected projects in accordance with applicable laws and regulations.

Further, Management will validate and publicise a schedule of long-outstanding retention balances, particularly those relating to projects that have been completed and formally handed over, to facilitate resolution and closure of the balances.

Committee Observations

The Committee observed that Kshs. 59,154,928 in refundable deposits and retention monies has remained outstanding for over three years, with some balances dating back to 2015.

Committee Recommendations

The Committee recommends that:

1. **The County Treasury undertakes an immediate reconciliation and verification of all outstanding refundable deposits and retention monies and develops a clear settlement plan for all legitimate claims and provides a status report to the Auditor General within ninety (90) days from adoption of this report.**
2. **The Auditor General to keep the matter in view in the subsequent audit cycle.**

17.0 Irregular Procurement of Air Ticketing Services

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

- i) The procurement plan for the financial year indicated that air ticketing services would be sourced through the Request for Quotation (RFQ) method. However, the services were procured through a framework agreement without documented justification or amendment to the procurement plan.
- ii) Seven (7) bidders responded to the framework bidding process, as required under Section 114(1)(c) of the Act and Regulation 102(1)(b), which mandates inclusion of a minimum of seven alternative vendors for each category. However, only two firms signed for the framework agreements with the County Executive. No contract agreements were

- provided for the remaining five bidders, raising concerns over the completeness and competitiveness of the framework arrangement.
- iii) Contrary to Regulation 101(2) of the Public Procurement Regulations 2020, the use of the framework agreement appeared to restrict fair competition. All orders were issued to a single supplier, African Touch Safaris Ltd, despite the existence of multiple vendors, indicating possible favoritism and a lack of equitable rotation. Notably, the said supplier was not among the 12 prequalified firms for air ticketing services.
 - iv) Pricing terms were not clearly defined in the framework agreement. In addition, there was no documentary evidence of market surveys or value-for-money assessments before awarding contracts, contrary to Regulation 101(3)(a), which prohibits awards where prices exceed indicative market rates.
 - v) There was no evidence that mini-competitions were conducted among framework contractors as required by Regulation 103(4) of the Public Procurement Regulations 2020. No written invitations, financial bids, or evaluation records were presented to confirm that contracts were awarded to the lowest evaluated tenderers.
 - vi) The framework agreements did not specify essential details such as maximum quantities contrary to Regulations 102(1)(e) of the Public Procurement Regulations 2020 which requires an estimate of the total volume or scope of work or quantity of purchases expected to be made for the duration of the framework agreement, as appropriate; and details on ceiling prices contrary to Section 106(5) of the Public Procurement Regulations 2020, which requires that a procuring entity should ensure that the price or quantities for all the orders does not exceed any ceiling amount stated in the contract. Also, the individual LPOs lacked breakdowns necessary to establish full cost as required by Regulation 106(2) of the Public Procurement Regulations 2020 which requires that Individual orders shall include all the details required to establish the full cost or price for the delivery of goods, works or services.
 - vii) The head of procurement did not prepare and submit the required quarterly reports on framework contract usage to the Accounting Officer and Internal Auditor as required by Regulation 134(3)) of the Public Procurement Regulations 2020

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

Management Response

Management reported that the IFMIS module does not contain framework contract agreements as a procurement method. During the preparation of procurement plans, the Request for Quotation (RFQ) method was used based on the applicable threshold and allocated budget.

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management further explained that seven contracts were signed with seven firms; however, only five firms were actively engaged in service provision. The outstanding debt period reportedly discouraged the remaining two firms from doing business with the County Government.

Management indicated that Letters of Service Orders (LSOs) were issued to several firms, including Santana, Longrock, Travel Ease, and African Touch were provided.

Management clarified that framework agreements do not require prequalification as they were based on open tenders (advert attached).

Regarding pricing, Management explained that the only differentiating factor among firms is the service fee, which varies according to time, day, and season. Qualification cannot be based on air ticketing as travel is provided on an ad hoc basis, with volumes and quantities not determinable in advance. IATA certification and price ceilings were provided.

Management also noted that reports on these contracts are currently prepared annually, but moving forward, quarterly reporting will be provided to the Accounting Officer and Internal Audit Section to enhance oversight.

Committee Observations

The Committee observed that;

- 1) Air ticketing services were procured through framework agreements instead of the RFQ method specified in the approved Procurement Plan, violating Section 53(2) of the PPADA, 2015.
- 2) Management failed to conduct mini-competitions among the prequalified firms for specific orders, as required under Regulation 134 of the Public Procurement and Asset Disposal Regulations, 2020.
- 3) The existing agreements lacked ceiling prices, maximum quantities, and clear pricing structures, allowing the supplier to dictate costs.
- 4) Despite having seven (7) prequalified contractors, the County Executive consistently awarded orders to a single supplier, African Touch Safaris Ltd, contravening Section 3(I) of the PPADA.

Committee Recommendations

1. **The Public Procurement Regulatory Authority (PPRA) investigates the entire procurement process for air ticketing services.**
2. **The Kenya Institute of Supplies Management (KISM) takes disciplinary action against the Head of Procurement for professional misconduct, pursuant to Section 23(1)(d)(i) of the Supplies Practitioners Act, 2007.**

- 3. The County Governor provides a status report on the actions taken by PPRA and KISM to the Office of the Auditor-General within ninety (90) days of the adoption of this report.**

18.0 Conflict Between County Act and National Law

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

In addition, there is a risk of voiding projects initiated through a county legislation that is in conflict with National legislation in accordance with Article 191(1) and (2) of the Constitution of Kenya, that clarifies on conflicts between National and County legislation in respect of matters falling within the concurrent jurisdiction of both levels of government. National legislation prevails over County legislation.

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

Management Response

Management acknowledged the Auditor-General's findings regarding conflicting provisions between the Elgeyo Marakwet Equitable Development Act (EDA) 2015 and the Public Finance Management Act, Public Procurement and Assets Disposal Act, 2015, and the Constitution of Kenya, 2010.

Management reported that the County Executive, in consultation with the County Assembly, is committed to initiating the process of amending the highlighted sections of EDA 2015 to ensure alignment with the referenced national laws.

Management further explained that since the 2016/17 financial year, the County Executive has made two attempts to amend the EDA. Proposed amendments were submitted to the County Assembly, and action on these submissions is still pending.

The objectives of the proposed amendments, as reported by Management, include:

- i) Aligning the EDA with relevant national legislation to eliminate identified conflicts in the cited sections.
- ii) Enhancing the outcomes of county budget allocations.

P. 175 Laid	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- iii) Removing sections of the EDA that create legal conflicts regarding the roles of the arms of County Government, specifically the Executive and the Legislature.

Supporting documentation, including the detailed amendment proposals were provided.

Committee Observations

The Committee observed that the Elgeyo Marakwet Equitable Development Act (EDA), 2015, contains provisions that are in direct conflict with national legislation, specifically the PFM Act and the PPADA, 2015. By allowing Members of the County Assembly (MCAs) to sit on Ward Development Committees and award tenders, the Act violates Section 9(2) of the County Governments Act, 2012, which enforces the separation of powers. In accordance with Article 191 of the Constitution, national legislation prevails, rendering these sections of the EDA Act inoperative and any projects initiated under them potentially unlawful.

Committee Recommendations

1. **The County Executive and the County Assembly expedite the process to repeal or amend the conflicting sections of the Elgeyo Marakwet Equitable Development Act, 2015, to bring it into full conformity with the Constitution, the PFM Act, and the PPADA, 2015.**
2. **The County Governor immediately ceases the involvement of MCAs in any executive or administrative functions, including project tendering and monitoring.**
3. **The County Governor submits a compliance report to the Senate within ninety (90) days, detailing the legislative and administrative measures undertaken to eliminate this conflict of interest and safeguard the constitutional separation of powers**

16.0 Conflict of Interest by Members of County Assembly

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

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

Management Response

Management reported that the EDA Amendment Proposals have addressed the concern by clearly delineating the roles of the Executive and the Legislature. The objectives of the proposed amendments, as reported by Management, are:

- i) To align the EDA with relevant national legislation, thereby eliminating the identified conflicts in the cited sections.
- ii) To enhance the outcomes of county budget allocations.
- iii) To remove provisions in the EDA that create legal conflicts regarding the roles of the Executive and the Legislature.

Management provided the detailed amendment proposals as supporting documentation.

Committee Observations

The Committee observed that;

- 1) MCAs sit on Ward Development Committees and are directly involved in awarding tenders, monitoring, and evaluating projects, violating of Section 9(2) of the County Governments Act, 2012.
- 2) Management acknowledged the conflict and proposed legislative amendments; however, no evidence was provided to show that MCAs ceased involvement in executive functions during the year under review.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive immediately takes measures to ensure full compliance with the provisions of the County Governments Act, 2012 by ceasing the involvement of Members of the County Assembly in executive and administrative functions of the County Government.**
- 2) **The County Executive to submit to the Senate, within ninety (90) days, a compliance report detailing the legal, administrative, and institutional measures undertaken to eliminate the conflict of interest and safeguard the Constitutional separation between oversight and executive functions at the county level.**

17.0 Non-Compliance with Fiscal Responsibility Principles

The statement of financial performance reflected total receipts of Kshs. 5,013,283,841 and actual expenditure of Kshs. 4,748,941,101. However, employee costs totaled Kshs. 2,635,956,505, representing approximately 53% of total revenue which exceeded the 35% ceiling prescribed under 15(2)(b) of the Public Finance Management Act . In addition, the County Executive Committee (CEC) Member for Finance and Economic Planning did not set a

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

limit on the County Government's expenditure on wages and benefits for its public officers, contrary to Regulation 25(1)(a)) of the Public Finance Management (County Governments) Regulations, 2015.

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

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

Management Response

Management reported that the County's compensation to employees exceeded the 35% threshold set out in the Public Finance Management Act due to the following factors:

- i) SRC circulars authorizing salary increments for all staff.
- ii) Legislations obligating the County to provide for employer contributions, including NSSF, pensions, and other statutory deductions.
- iii) Collective Bargaining Agreements (CBAs) agreed for various staff categories, particularly health staff, following devolution in 2013.
- iv) High staff numbers and corresponding remuneration inherited from the devolved staff and the three defunct Local Authorities at the time of devolution in 2013.
- v) Engagement of additional staff after devolution through the County Public Service Board (CPSB) to fill critical cadres arising from devolved mandates and functions, which could not be rationalized from former staff.
- vi) CBAs between the then Ministry of Local Government and unions of former Local Authority staff, which placed them at higher remuneration levels compared to other staff cadres.

To address the wage bill challenge by June 2028, as per the Wage Bill and Productivity Conference 2024 resolutions, Management reported adoption of the following strategies:

- i) Replacement of existing staff at entry level, leading to cost savings as departing staff had higher remuneration, while replacements are engaged at lower pay.
- ii) Staff rationalization through re-designation and redeployment of existing staff.
- iii) Adoption of commission-based remuneration for revenue-oriented functions, particularly in revenue collection.
- iv) Enhancement of local revenue management strategies to increase annual revenue collections.

Committee Observations

The Committee observed that;

- 1) Employee costs amounted to Kshs. 2,635,956,505, representing 53% of total revenue, exceeding the 35% ceiling prescribed under Section 15(2)(b) of the Public Finance Management Act.
- 2) Development expenditure accounted for only 5% of total expenditure, below the 30% minimum threshold required under Section 15(2)(a) of the Public Finance Management Act.
- 3) The County Executive Committee Member for Finance did not set a wage bill ceiling as required under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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.

18.0 Partial Funding of Projects

During the year under review, the County Executive initiated and awarded twenty-two (22) contracts totaling Kshs. 50,627,805 that were not executed to completion. Management explained that the partial funding was due to inadequate allocation of funds This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that Accounting Officers shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates. (9) An accounting officer who knowingly commences any procurement process without ascertaining whether the good, work or service is budgeted for, commits an offence under this Act.

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

Management Response

The response is provided in the table below

Table 2. Partial Funding of Projects

N o.	Project name	Scope	Contract Sum (Kshs)	Ward	Departme nt	Response
1	Yatya Borehole	Drilling	1,092,000	Tambach	Water	During supplementary budget for FY 2024/2025 the project was allocated KES 1,705,500 meant for hydrogeological survey and B/H drilling which was implemented as per the scope. Attached completion certificate (Annex 17 (i)). The funding of KES 1,092,000 mentioned in the query was meant for Equipping & Pipe Laying during FY 2024/2025. Attached Approved ADP 2024/2025(Annex 17 (ii)).
2	Kapkibur Borehole	Drilling	1,000,000	Tambach	Water	During supplementary budget for FY 2024/2025 the project was allocated KES 1,704,000 meant for hydrogeological survey and B/H drilling which implemented as per the scope. Attached completion certificate. (Annex 17 (iii)). The more funding of KES 2,000,000 for equipping and pipeline extension has been proposed in FY 2026/2027 ADP priorities. (Annex 17 (iv)).
3	Songoywo	Drilling	1,000,000	Tambach	Water	During supplementary budget for FY 2024/2025 the project was allocated KES 1,795,000 meant

	Borehole					for hydrogeological survey and B/H drilling which implemented as per the scope. Attached completion certificate. (Annex 17 (v)). 3 The more funding of KES 2,000,000 for equipping and pipeline extension has been proposed in FY 2026/2027 ADP priorities. ((Annex 17 (vi)).
4	Kamagut Borehole	Drilling	1,398,000	Kamarin y	Water	The project was implemented during FY 2024/2025 to completion as per scope of work. Completion certificate attached. ((Annex 17 (vii)). More funding for the project has been allocated in FY 2025/2026 for equipping, construction of storage tank and pipelaying. See attached Approved ADP (Annex 17 (viii)).
5	Cheptabar borehole	Drilling	1,200,000	Emsoo	Water	During FY 2023/2024 the project was funded with KES 2,800,000 of which it was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate ((Annex 17 (ix)). The project has been allocated KES 475,000 in FY 2025/2026 for tank installation. ((Annex 17 (x)).

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

6	Kaplalang-Artoton	50m3 tank & pipelaying	1,900,000	Sengwer	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xi)).
8	Santa Maria	50m3 masonry tank	947,000	Moiben kuserwo	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xii)).
9	Kapkobol	Dam and pipeline	1,900,000	Moibe kuserwo	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xiii)).
10	Kebes	pipeline	665,000	Kapsowar	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xiv)).
11	Tilatil	Pipeline	1,900,000	Soy North	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xv)).
12	Kapkobil	Intake & pipeline	950,000	SN	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xvi)).
13	Tokomba kechii	Intake & pipeline	950,000	SN	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See

						attached completion certificate (Annex 17 (xvii)).
14	Orbarak-kapkayo borehole	pipeline	1,045,000	Soy south	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xviii)).
15	Kapkayo borehole	50m3 masonry tank	950,000	Soy south	Water	The project was implemented in FY 2024/2025 to completion as per the scope of work. See attached completion certificate (Annex 17 (xix)).
16	Chesatan Dispensary	Construction of the facility	2,016,000	Sambirir	Health	The proposed budget of kshs 2,016,000 was for the construction of outpatient department (OPD) phase 1 in the FY 2024-25. An additional estimated budget of kshs 1,000,000 has been allocated for completion of phase 2 of the project for this financial year (FY 2025-26). (Annex 17 (xx) - copy of ADP Budget.)
17	Chebororwa H/C	Construction of Wards	9,303,935	Cherangany	Health	The proposed budget for phase 1 was kshs 9,600,000 for FY 2024-25 which is ongoing and substantially complete. (ANNEX 2a. Attached photos of phase1 of the project)
18	Tot OPD	Upgrading of facility	14,154,870	Endo	Health	PHASE 1 of the project has been completed and paid while phase 2 of the project has been awarded and the project is ongoing. (Annex 17 (xxi) copy of letter of award, LSO and photos of

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

						progress)
19	Flax dispensary	Construction of OPD	1,056,000	Chepkorio	Health	phase 1 of the project has since been completed and paid. Also phase 2 of the project has been completed using the health facility funds. (Annex 17 (xxii) -. photo of completed OPD).
20	Construction of cereal store	Construction of cereal store at Kessup phase 1	1,920,000	Tambach	Trade	The partial funding of project is attributed to Equitable Development Act that gives power to the people on allocation and further to the county assembly without putting consideration of technical input. The management has ensured that further allocation to completion has been secured in FY 2025/2026. Attached are photos of current status (Annex 17 (xxiii))
21	Construction of cereal store	Construction of Kaptarakwa cereal store phase 1	2,880,000	Kaptarakwa	Trade	The partial funding of project is attributed to Equitable Development Act that gives power to the people on allocation and further to the county assembly without putting consideration of technical input. The management has ensured that further allocation to completion has been secured in FY 2025/2026. Attached are photos of current status (Annex 17 (xxiv))
22	Construction of cereal store	Construction of cereal	2,400,000	Soy south	Trade	The partial funding of project is attributed to Equitable Development Act that gives power to the people on allocation and further to the county

		store at Kocholo wo phase 1				assembly without putting consideration of technical input. The management has ensured that further allocation to completion has been secured in FY 2025/2026. Attached are photos of current status (Annex 17 (xxv)).
		Total	50,627,805			

Committee Observations

The Committee observed a flagrant violation of Section 53(8) of the PPADA, 2015, where the County Executive initiated and awarded 22 contracts totalling Kshs. 50,627,805 without ensuring that sufficient funds were available in the approved budget to complete them. This practice inevitably leads to stalled projects, wasted resources, and exposes the county to legal disputes and breach of contract claims.

Committee Recommendations

The Committee recommends that;

- 1) The Ethics and Anti-Corruption Commission (EACC) conducts a specialised investigation into the 22 contracts to determine whether the awards resulted in financial loss or were improperly awarded, and submits a report to the Office of the Auditor-General within ninety (90) days.
- 2) The Public Procurement Regulatory Authority (PPRA) takes action against the Head of Procurement and the Accounting Officer for initiating procurement proceedings without a confirmed budget, contrary to Section 53(8) of the PPADA, 2015
- 3) The Kenya Institute of Supplies Management (KISM) takes action(s) against the Head of procurement for professional misconduct pursuant to Section 23(1)(d)(i) of the Supplies Practitioner Act 2007 and provides an update to the Office of the Auditor General within 90 days of adoption of this report.
- 4) The Auditor General to keep the matter in view in subsequent audit cycle.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

19.0 Project Verification

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

21.1 Muno Primary/Secondary Borehole Project

Physical verification of the projects revealed that the County had a borehole project at Muno Primary and Secondary Schools at a contract sum of Kshs. 3,123,000. However, there was no signage post installed at the project site. This obscured visibility of key project information such as name, contractor, source of funding, implementation timelines, and cost, undermining transparency and limiting public oversight. In addition, the borehole area was unprotected since no fencing was done. This exposed the borehole infrastructure to environmental degradation, vandalism, and posed safety hazards, especially to school children.

Management Response

Management reported that a photo of the borehole signage was provided. Fencing of the borehole was not undertaken due to lack of budget. Management indicated that the department will engage the public to allocate funds for fencing in subsequent budgets.

Committee Observations

The Committee observed that while the borehole was constructed at a cost of Kshs. 3,123,000, it lacked essential fencing

Committee Recommendations

The Committee recommends that;

- 1) The County Executive to prioritize fencing and securing the Muno Borehole and ensure all project components, including signage, are completed before certification and payment.
- 2) The Office of the County Governor to undertake proper project conceptualization, planning, monitoring and execution to ensure timely completion of the project as well as realization of value for money.
- 3) The Auditor General keeps the matter in view in the subsequent audit cycle.

21.2 Kapsisi Water Project

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

Management Response

Management reported that the project signage has been erected, with a photo provided. Fencing was not undertaken due to budget constraints; the department intends to engage the public to allocate funds for fencing in subsequent budgets. Reticulation of the borehole was completed under a different contract (Kapsisi Upper Water Project), connecting households as evidenced by the attached photo.

Committee Observations

The Committee observed that;

- 1) The Kapsisi Water Project (Kshs. 3,101,900) was certified complete despite lacking a perimeter fence and a distribution network
- 2) Fragmented execution under separate contracts creates delays, higher costs, and accountability gaps, as contractors may shift blame for system failures.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive to prioritize fencing, securing, and completing all project components, including signage, before certification and payment.**
- 2) **The County Governor should ensure proper project planning, monitoring, and execution to achieve timely completion and value for money.**
- 3) **The Auditor-General should follow up on this matter in the subsequent audit cycle.**

21.3 Cheminya Water Project

Physical verification of projects revealed that the County initiated Cheminya Water Project at a Contract Sum of Kshs. 2,497,250. However, it was noted that two (2) Solar Panels were missing at the Project. It was also noted that the solar-powered system installed to support the water project was incomplete and yet panels were vital for powering pumps and ensuring continuous water flow.

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

Management Response

Management reported that the initial design of the solar pumping system specified 18 panels of 335W each. However, during implementation, such panels were unavailable in the market. Consequently, the contractor installed 16 panels of 545W each, without compromising the power requirements of the pumping system. A certificate of project completion has been provided.

Committee Observations

The Committee noted that;

PAPERS LA	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- 1) The Cheminya Water Project (Kshs. 2,497,250) was implemented using a design differing from the original tender specifications: 16 solar panels (545W) were installed instead of the contracted 18 panels (335W).
- 2) Management did not provide evidence of a formal Variation Order or signed contract addendum, contrary to Section 139 of PPADA, 2015.

Committee Recommendations

The Committee recommends that;

- 1) **Ethics and Anti-Corruption Commission, and the Director of Public Prosecution cause investigation of the Head of Procurement with a view to instituting the prosecution of the officer for violation of Section 139 of the Public Procurement and Asset Disposal Act, 2015 and submits a report to the Office of the Auditor General within 90 days of adoption of this report.**
- 2) **The Ethics and Anti-Corruption Commission (EACC) to investigate the responsible officer(s) to determine whether the deviation in the Cheminya Water Project, valued at Kshs. 2,497,250, resulted in any financial loss or misappropriation and submits a report to the Office of the Auditor General within 90 days of adoption of this report.**

22.0 Completion of Outpatient Block and Septic Tank at Kapteren Health Centre

Review of records provided revealed that the County Executive entered into a contract with a local contractor in May 2024 at a contract sum of Kshs. 4,589,732 to construct outpatient block and a septic tank at Kapteren Health Centre. However, physical verification done in month of July, 2025 revealed the following anomalies:

- i. Iron sheets used in roofing was gauge 30 instead of gauge 28 provided for in the bill of quantities.
- ii. Ablution block provided for in Bills of Quantities was not done.
- iii. Connection and piping of septic drainage was not done.
- iv. Leakages noted on the roof, the contractor not on site and the building not in use.
- v. There was no documentary evidence provided by the Project Implementation Committee on the Contract Management Plan that was to provide for review meetings, a risk register maintained to monitor all identified contract risks and their mitigation plan and a status report that include; executive summary report on performance of activities and budget; and any other issues relevant to the contract such as environmental and general observation on the performance rating.
- vi. There were two other blocks on the compound which were constructed to completion in 2013 and was meant to serve as maternity block and laboratory respectively. However, these two blocks have never been put to use.

In the circumstances, there was no value for money on the outpatient block and septic tank at Kapteren Health Centre.

Management Response

Management reported that the change of roofing sheets from gauge 28 to 30 was requested by the Project Management Committee and users. The substitution generated savings, which were redirected to cover unforeseen plumbing and utility connection costs (water and electricity) not included in the original Bills of Quantities (site instruction report, minutes).

Management further stated that the ablution block was not part of the original scope of works (BoQ). The main contractor has been instructed to undertake plumbing works with approval from the Project Manager (instruction letter). Roof leakages have since been addressed by the contractor.

Additionally, the project's risk register has been maintained, and the existing maternity and laboratory facilities had remained unused due to lack of essential services, including septic tanks, soak pits, and staff/patient pit latrines.

Committee Observations

The Committee observed that;

- 1) The outpatient block (Kshs. 4,589,732), the roofing gauge was substituted without any documented technical approval or variation order.
- 2) The outpatient block remained; ablution block and septic connections were not completed.
- 3) The maternity and laboratory blocks, constructed as far back as 2013, remain non-functional due to a lack of essential services (electricity, water, and staff).
- 4) There was no evidence of a risk register, status reports, or minutes of Project Implementation Committee meetings.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide the requisite documentation to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.**

PAPERS LA	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- 2) The County Governor to submit a comprehensive status report to the Auditor-General within ninety (90) days from the date of adoption of this Report, detailing timelines, budget requirements, and responsible officers for each affected project.
- 3) The County Governor to undertake proper project conceptualization, planning, monitoring and execution to ensure timely completion of the project as well as realization of value for money.
- 4) The Auditor General keeps the matter in view in the subsequent audit cycle in line with this recommendation.

Proposed Construction of One Bedroomed Staff House at Toror Health Centre, Soy North Ward

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

- i. There was no documentary evidence provided by the Project Implementation Committee on the contract Management Plan that was to provide for review meetings, a risk register maintained to monitor all identified contract risks and their mitigation plan and a status report that include executive summary report on performance of activities and budget; and any other issues relevant to the contract such as environmental and general observation on the performance rating.
- ii. At the time of verification in July, 2025 the Project had already delayed by thirty-six (36) weeks based on the initial contract delivery date and twenty-eight (28) weeks since the lapse of the contract extension period.
- iii. Leakages were noted on the roof and the building was not in use.
- iv. There was no access road to the facility. It was however, not clear whether lack of access to the dispensary had been occasioned by illegal encroachment of the access road or lack of it.
- v. Ownership documents of the land on which the dispensary sits were not provided for audit review.
- vi. The Hospital serves less than ten (10) patients daily despite being a primary healthcare center where patients are attended to at no cost. These low numbers may be as a result of the inaccessibility of the hospital and raises doubt on the effectiveness of the hospital and value for money for the constructed staff house.

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

In the circumstances, there was no value for money on the one bed-roomed staff house constructed at Toror Health Centre.

Management Response

Management reported that the contract duration had elapsed and the works were substantially complete, as evidenced by the certificate of completion and handover and project risk register were provided.

Delays in completion were attributed to difficult terrain, harsh weather conditions, and lack of road access to the site, which posed logistical challenges (contract extension request). Roof leakages have been addressed by the contractor.

The building has not been put to use as it has not yet been equipped, pending allocation of funds through public participation. Management noted that the Department of Roads, Transport, and Public Works has been requested to fast-track road connectivity to the facility.

The land is jointly owned by the local primary school and the health facility, and the process of subdivision is ongoing. The Toror Dispensary occupies a 0.49 Ha plot (Plot No. EM/UPPER KABITO/2448/Keiyo County Council/Sht/6).

The facility currently serves fewer than ten patients daily due to its recent opening, employment of a single staff member by the community, low catchment population, and absence of maternity and laboratory services.

Committee Observations

The Committee observed that:

- 1) The project experienced significant delays of thirty-six (36) weeks beyond the initial completion period and twenty-eight (28) weeks beyond the extended contract period.
- 2) There was no adequate documentary evidence of a structured Contract Management Plan as required under Regulation 138 of the Public Procurement and Asset Disposal Regulations, 2020
- 3) Physical verification revealed defects (roof leakages) and the building was not in use, raising concerns about quality assurance and value for money.

Committee Recommendations

The Committee recommends that;

PAPERS L	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- 1) The County Governor undertakes administrative action against the responsible officer(s) who failed to provide the requisite documentation to the auditors in accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.
- 2) The County Governor to submit a comprehensive status report to the Auditor-General within ninety (90) days from the date of adoption of this Report, detailing timelines, budget requirements, and responsible officers for each affected project.
- 3) The County Governor to undertake proper project conceptualization, planning, monitoring and execution to ensure timely completion of the project as well as realization of value for money.
- 4) The Auditor General keeps the matter in view in the subsequent audit cycle in line with this recommendation.

23.0 Other Projects Implementation Follow-Up

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

Management Response

The management responded as follows;

Table 2: Implementation of other Projects

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
Tunyo Health Centre	Construction of Morgue	3,887,260	Although a 9 bodies fridge has been purchased and installed. Septic tank has not been constructed.	• Already a 9 bodies fridge has been Purchased and Installed. • The septic tank has already been constructed and connected to the morgue. • The building now awaits water connection for it to operationalize. ANNEX 23(i). photos of septic tank
Maron/Marichor Dispensary	Construction of Male and Female wards	3,000,000	The project is complete but the wards are not in use since they are not equipped. Poor workmanship was also noted on the pavements. And the project not labelled.	• The Project was completed and the defects noted have since been remedied. ANNEX 23(ii). Attached Photos • The County Government Allocates

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
				funds through community as stipulated in EDA Act. We have since informed the Project Management Committee and the Health Facility Management Committees to allocate funds for equipping and operationalization. Branding was not part of the Scope of Works as per the bill of quantities (BoQ).
Kamogo Health Centre	Construction of Male and Female wards	2,499,940	Project complete but not equipped.	- Phase 1 of the project is complete (Construction Works Only). - The funds previously allocated for equipping of the wards were appropriated by the

PAPERS AND			
DATE	TABLED BY	COMMITTEE	CLERK AT THE TABLE

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
				PMCs for construction of an Outpatient Department (OPD) and the project is under construction. The County Government to allocate development funds through public participation as stipulated in EDA Act and we have since informed the Project Management Committee and the Health Facility Management Committee to allocate funds for equipping and operationalization
Kabetwa Health Centre	Construction of Maternity Block and placenta pit	2,999,950	The maternity block had poorly installed grills and ventilations. Some gutters are missing while some are incorrectly fitted causing rainwater to drain onto the ground, no septic tank, no	• All defects and incomplete works have already been done and the Placenta Pit has been constructed. ANNEX 23(iii). Attached Photos • Gutters, Downpipes

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
			installed equipment, no running water, and remained non-operational.	Window Stays and Fasteners have been fixed. The Department has advised the Project Management Committee and Facility Management Committee to prioritize allocation of funds during supplementary budget for Construction of Septic Tank and Procurement of Equipment to ensure operationalization of the facility.
Korion Primary School	Construction of Twin ECDE Classroom and 3 door pit latrines	2,699,990	Toilet not labelled and gutters for rainwater collection not installed	

PAPERS Laid	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
Kapcherop Sub County Hospital	Construction of outpatient department	21,224,289	Works were incomplete and ongoing, with flooring, painting, and door installations unfinished; equipment remained stored in a separate building and the block was not in use.	• Already the project is substantially complete pending replacement of defective and inappropriate doors to specialized rooms, painting works, scrubbing of terrazzo and a few sanitary and plumbing works. • The contractor has resumed to site and work is in progress. (ANNEX 23(iv). Attached photos) • A septic tank has been constructed and connected to the morgue, awaiting connection to other existing buildings. ANNEX 23(v). Attached photos of septic tank and soak pit.

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
Kabiemit Ward	Proposed twin workshop and 3 doored pit latrines at Tambul vtc-kabiemit ward.	3,499,970	The workshop was partially equipped, lacked workbenches, and one room had been converted into a classroom.	
Kabiemit Ward	Proposed construction of intake and Solar Equipping of Sugutek Water Project in Kabiemit Ward	2,179,850	Water supply and pipeline distribution to community not complete as only 4 households are connected.	The department did pipeline works worth Sh.1,014,000 under Lamaiwo water project (Formerly Sugutek water project) during approved supplementary I FY 2024/2025 and the project is complete as per scope of works. Attached Completion certificate (ANNEX 23(v)).

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
Kabimmit Ward	Proposed Borehole Drilling at Kogibor Water Project in Kabimmit Ward	2,014,000	Borehole drilled however, the project is not in use as the installation of a solar pumping system and storage tank has not been undertaken.	Solar pumping system and storage tank for the project has been proposed for allocation of KES 15,000,000 in FY 2026/2027 among another project. Attached FY 2026/2027ADP proposed priorities. ANNEX 23(vi)
Kaptarakwa Ward	Proposed opening and maintenance of AIC Twiga-chebororor Road in kaptarakwa ward	2,399,800	The Kenya Rural Roads Authority recently redid the road-gravelling works in October 2025. However, the drainage is not done and the culverts are clogged hence ineffective.	The clogged culverts have been cleaned and now effective as shown by the photos Annex(vii)
Metkei Ward	Proposed grading and levelling of kiptengwer primary school field in metkei ward	2,381,815	Field grading and levelling were not undertaken, leaving the ground uneven and unusable, despite full	The contracted work for Dozing and levelling of the field was done as per the bill of quantities within the

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
			payment of the contract sum contrary to the contract and bill of quantities.	contract period. At the time of final inspection of works, the field was in good condition and done satisfactorily. However heavy rains were experienced soon after and before the grass regrew causing significant erosion in the area and affected the works that had already been done. Annex 5(viii) Attached are measurement Sheet, B.O.Q and Completion certificates and photos during final inspection.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
Soy South Ward	Proposed construction of katumoi ECDE and 3 door pit latrines - Soy south ward	2,699,700	It was noted that the classrooms roofs are leaking as a result of poor workmanship. It was observed that roofing timber had warped causing gaps between the iron sheets. The windows were poorly welded causing some windows to fall apart. The classrooms had not been connected to electricity despite the fact that installation of electrical works was already complete.	
Iten County Referral Hospital	Construction of Amenity ward	10,987,030	The project is incomplete, stalled and abandoned.	The contractor had requested for additional extension of the contract period and with a new work programme to enable them to finish the

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
				pending works effectively, and this was approved by the Project Manager. • The request for extension expired on 30th October, 2025 and the contractor did not report to site and therefore the project manager initiated the termination process. • A termination of contract has been issued by the client and procurement process for re-award has been initiated. ANNEX 23(ix). Termination letter.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
Kamariny stadium	Expired Memorandum of understanding with Sports Kenya for Construction, management and maintenance of the Stadium	46,843,154	The project is now under Sports Kenya; however, it remained incomplete with no ongoing works, and the contractor was not on site during the October 2025 audit inspection	The County Government undertook to develop Kamariny Stadium in phases, the first phase being construction of the pavilion at the cost of Kshs.46,843,154. However, due to resource constraints the Stadium was handed over to Sports Kenya to complete the project by construction of 10,000-seater capacity stadium and a tartan track. However, at the time of inspection the stadium construction under sports Kenya had stalled. A new contractor was handed over site on 12th May, 2025. The contractor is on site as ascertained by Monitoring and evaluation visit that was done by the County Government and the Sports

Project	Project Description	Amounts (Kshs)	Auditors' Observations	Management Response
				Kenya personnel on 8 th January 2026. (project status – On going). (Annex 23(x) - Completion certificate and Photos)
Total		102,429,488		

Committee Observations

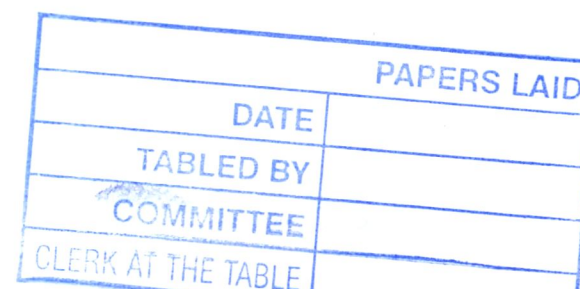
The Committee observed that

- 1) Although Management provided responses and photographic evidence of remedial actions for several projects, a number of facilities remain non-operational due to lack of equipment, access roads, utilities, or other supporting infrastructure.
- 2) the Implementation gaps undermine value for money on projects amounting to Kshs. 102,429,488, as the intended benefits to the public have not been fully realized.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor submit a comprehensive status report to the Auditor-General within ninety (90) days from the date of adoption of this Report, detailing timelines, budget requirements, and responsible officers for each affected projects.



- 2) **The County Governor to undertake proper project conceptualization, planning, monitoring and execution to ensure timely completion of the project as well as realization of value for money;**
- 3) **The Auditor General keeps the matter in view in the subsequent audit cycle in line with this recommendation.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

25.0 Long Outstanding Payables – Refundable Deposits and Prepayments

The statement of financial position reflects refundable deposits and prepayments balance of Kshs. 93,654,265 as disclosed in Note 33 to the financial statements. Analysis of ageing balances revealed the status as follows; less than one (1) year Kshs. 33,499,337; between 1-2 years Kshs. 13,763,797; between 2-3 years Kshs. 6,699,967 and over 3 years Kshs. 39,691,164. Management did not explain why payments were not done.

In the circumstances, delay in payments of long outstanding debts might attract litigations against the County.

Management Response

Management stated that the County releases retention monies to contractors upon submission of a formal application after the six (6) months defects liability period and following the issuance of Certificates of Practical Completion and Handover. However, management noted that a significant number of contractors had not submitted applications for the release of their retention monies.

Management further explained that the County Government is undertaking a comprehensive verification of long-outstanding retention debts to determine funds relating to terminated contracts, contractors who have ceased operations, changed business ownership, or been declared bankrupt. Management indicated that funds relating to terminated contracts or abandoned projects will be re-budgeted and reallocated accordingly.

Committee Observations

The Committee observed that the County has Kshs. 93,654,265 in refundable deposits and prepayments, of which Kshs. 39,691,164 has remained outstanding for over three years.

Committee Recommendations

The Committee recommends that;

- 1) The County CEO to establish a clear verification, notification, and settlement framework for the Refundable Deposits and Prepayments and provides a status report to the Auditor General within 90 days from adoption of this report.**
- 2) The Auditor General to keep the matter in view in the subsequent audit cycle**

26.0 Lack of Fixed Asset Register

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

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

Management Response

Management reported that the County maintains an updated Fixed Asset Register to record all assets acquired by the County Government. A copy of the register has been provided for verification.

Committee Observations

The Committee observed that management provided an updated physical asset register post audit certificate.

Committee Recommendations

The Committee recommends that the matter be marked as resolved with the strong caution that the register must be updated continuously and verified by internal audit on a regular basis.

27.0 Weaknesses in Information Communication Technology (ICT) Internal Control Environment

Review of (ICT) internal control environment revealed the following deficiencies.

- i) The County did not have in place IT Strategic Committee and a Steering Committee which could provide guidance to IT-related decision-making processes.
- ii) There was no IT Business Continuity Plan and therefore, in case of a disaster the Entity may not recover critical information resources hence this may adversely affect the operations of the County.
- iii) the County Executive did not have a documented training program to build IT capacity.
- iv) The server room has air conditioning system; however, the equipment was dysfunctional defeating the purpose for which it was installed.
- v) The server room lacked biometric access control system, environmental monitoring system to monitor the humidity and temperature in the server room and a closed-circuit television (CCTV) system to monitor access to the server room.

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

Management Response

Management reported the following measures regarding ICT governance and security:

- i) ICT Steering Committee and Governance Framework: Management indicated that the County has initiated an ICT Steering Committee to provide strategic guidance on ICT decision-making processes. The committee is awaiting Cabinet approval. Management also stated that an ICT Governance Framework has been developed to mainstream and strategically adopt ICT as a driver of efficient service delivery.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- ii) Business Continuity and Data Recovery Plans: Management acknowledged that a fully-fledged data centre and disaster recovery site has not yet been established due to limited resources. In the interim, the County has adopted cloud services to host critical services, including the Revenue System, email services, and other eServices. Plans are ongoing to migrate critical ICT data services to government infrastructure centres, such as Konza Technopolis, to ensure redundancy, backup, and business continuity.
- iii) County Email Services: Management confirmed that all County Executive Committee members, departmental heads, health facilities, and other critical sectors use county domain-based emails (e.g., @elgeyomarakwet.go.ke). The previously existing email, emcounty2013@gmail.com, created in 2013, is retained only for backup and continuity purposes. All official communications and letterheads now use the county domain.
- iv) Access Control to ICT Data Centre/Server Room: a) Biometric fingerprint scanners have been installed at strategic locations, including the entry to the ICT office housing the server room in the County Treasury Building. Expansion to other ICT and data environments is planned as resources become available. b) Closed-Circuit Television (CCTV) installations have been initiated at strategic service points, including the ICT office, to enhance surveillance and data security.
- v) ICT Capacity Building: Whereas the county appreciates and recognizes the need for continuous training and capacity building particularly to address emerging needs in the face of technology advances, the same has been constraint by budgetary limitations. Nevertheless, there have been efforts at the county to resource mobilize through collaborations and partnerships. Hopefully the same will yield results in an effort to mitigate the county's limited resource envelope.

Committee Observations

The Committee noted that while management has initiated corrective actions, full implementation of ICT governance structures, disaster recovery plans, access controls, and capacity-building programs remains outstanding.

Committee Recommendations

The Committee recommends that Office of the County Governor, within ninety (90) days from the date of adoption of this report;

- 1) Fully operationalize the ICT Steering Committee and Governance Framework to provide strategic oversight and guide ICT decision-making
- 2) Establish a fully functional disaster recovery site and formal business continuity plan to safeguard critical systems and ensure uninterrupted service delivery.
- 3) Document, approve, and implement comprehensive ICT policies, including regular user access reviews and structured ICT staff training programs.

- 4) **Submit evidence of the above actions to the Office of the Auditor-General (OAG) for verification within 90 days from adoption of this report.**

28.0 Deficiencies in Audit Committee and Internal Audit

28.1 Deficiencies in Audit Committee Operations

Review of the audit committee revealed the following anomalies.

- i) An annual report on the review of the independence, performance, and competence of the Internal Audit Unit was not published contrary to Regulation 159(2) of the Public Finance Management (County Governments) Regulations, 2015.
- ii) The Accounting Officer had not developed and submitted to the chairman of the audit committee a response and action plan to the recommendations made in the audit reports.
- iii) The Accounting Officer, who is responsible for implementation of audit recommendations, had not developed response and action plan on implementation of audit recommendations and submitted the same to the chairperson of the Audit Committee.
- iv) The Accounting Officer had not developed policies and guidelines on Audit Committee, monitored the effectiveness of Audit Committees and provided periodic updates of audit committee activities through the county's website. This contravenes Regulation 175 of Public Finance Management (County governments) Regulations, 2015.
- v) The Audit Committee had not reviewed, and reported to the Executive Management on, the significant financial reporting issues and judgements made in connection with the preparation of the county executive's financial statements.
- vi) The Audit Committee had not reviewed the County Executive's internal financial controls.
- vii) The Audit Committee had not performed independent review of the financial statements to ensure the integrity and transparency of the financial reporting process during the period under review.
- viii) The Audit Committee had not monitored and reviewed the effectiveness of the entity's internal audit function during the year under review.
- ix) Management had not provided evidence that the Audit Committee had assessed the performance of the Head of Internal Audit, monitored management's responsiveness to internal audit findings and recommendations, or evaluated the effectiveness of the internal audit function within the County's risk management framework during the period under review.
- x) One (1) Member of the Committee, who served in the previous committee, had his contract extended for a further period of three years. However, no evidence was provided to show that performance of this Member had been evaluated and that in deed he was reappointed based on the outcome of his performance appraisal.

PAPERS L	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- xi) The Audit Committee had not issued periodic, annual and special/investigative reports and that the same was made available to stakeholders.
- xii) The Audit Committee had not produced periodic reports to the Accounting Officer citing key issues affecting the operations of the County Executive during the period under audit.
- xiii) The Audit Committee did not carry out self- assessment and submitted to the Accounting Officer a report on its performance and achievements against its mandate, roles, duties, responsibilities, its composition, training, meetings, charter and performance to ensure that the audit committee is meeting its objectives efficiently and effectively.
- xiv) The Audit Committee had not sought feedback from the Senior Management on their effectiveness.
- xv) Both the Internal Audit Unit and the Audit Committee lacked independent budgets or authority to incur expenditure as they were left at the mercy of the Office of the Governor under whom they have been placed. This deprived the Audit Committee operational independence, in contravention of Regulation 155 of Public Finance Management (County Governments) Regulations, 2015 which gives the Head of Internal Audit unit in a County Government entity operational independence by requiring the Head of Internal Audit Unit to report administratively to the Accounting Officer and functionally to the Audit Committee.
- xvi) At the time of audit in July, 2025, two (2) Members of the Audit Committee who were members of the Institute of Certified Public Accountants of Kenya (ICPAK) were not in good professional standing.

Management Response

- i) This oversight is attributed to insufficient budget allocation for Audit Committee activities. Management is engaging relevant stakeholders to ensure adequate resourcing in future. Going forward, the Audit Committee will publish an annual report that includes an objective review of the Internal Audit Unit's independence, performance, and competence, as stipulated under Regulation 159(2).
- ii) To enhance accountability, the Accounting Officer will institutionalize a process for developing and submitting a response and action plan to the Chairperson of the Audit Committee within 14 days of receiving audit reports. An implementation tracking matrix will also be introduced to ensure timely resolution of audit issues.
- iii) To enhance accountability, the Accounting Officer will institutionalize a process for developing and submitting a response and action plan to the Chairperson of the Audit Committee within 14 days of receiving audit reports. An implementation tracking matrix will also be introduced to ensure timely resolution of audit issues.

- iv) The Accounting Officer will develop a formal policy on Audit Committees in line with Regulation 175 of the PFM Regulations. Furthermore, the county website will be regularly updated with information on Audit Committee activities to enhance transparency.
- v) The Audit Committee's operations during the period under review were limited by inadequate budgetary support, which affected its ability to fully execute its oversight responsibilities. Measures have since been initiated to enhance the Committee's capacity and operational independence. With the anticipated increase in funding, the Committee will comprehensively review financial reporting matters, internal control assessments, and the effectiveness of internal audit, in line with the requirements of the Public Finance Management (PFM) Regulations and Government Internal Audit Standards (GIAS).
- vi) The Audit Committee's performance was constrained by limited financial resources, which impacted its ability to conduct periodic reviews of internal financial controls. The County Executive is currently strengthening the Committee's operational capacity through enhanced budgetary allocation and administrative support. Going forward, the Audit Committee will regularly review internal control systems to ensure sound financial management and compliance with the PFM Regulations and GIAS.
- vii) The Audit Committee's limited budgetary and operational support during the reporting period restricted its ability to perform a comprehensive independent review of the financial statements. The County Executive has initiated measures to strengthen the Committee's independence and capacity through increased funding and training. Moving forward, the Audit Committee will ensure that all financial statements are independently reviewed to uphold transparency and accountability in financial reporting.
- viii) The Audit Committee's ability to effectively oversee the internal audit function was hampered by resource constraints during the period. The County Executive has prioritized strengthening the Audit Committee through adequate funding, capacity-building, and administrative independence. Future audit periods will reflect enhanced monitoring and evaluation of the internal audit function in compliance with the PFM Regulations and GIAS.
- ix) Due to limited budgetary and operational support, the Audit Committee was unable to undertake a structured performance assessment of the Head of Internal Audit or systematically monitor management's response to audit recommendations. Plans are underway to strengthen the Committee's institutional framework and resource base. With improved funding and capacity, the Committee will conduct regular performance assessments and ensure effective follow-up on audit issues in alignment with the PFM Regulations and GIAS requirements.

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- x) The said member was competitively recruited with other members and his contract was not extended.
- xi) During the period under review, the Audit Committee's operations were limited by financial constraints, which affected its ability to produce and disseminate the required reports. Budgetary provisions are now being strengthened to ensure adequate funding for the Committee's activities. Going forward, the Audit Committee will prepare and share periodic, annual, and special/investigative reports with key stakeholders, including the Accounting Officer and County Treasury, in accordance with Regulation 166(2) of the PFM Regulations.
- xii) The Audit Committee's ability to produce and submit periodic reports was hindered by inadequate funding during the audit period. The County Executive has initiated budgetary adjustments to ensure sustainable support for the Committee's reporting functions. Moving forward, the Committee will regularly prepare and submit periodic reports to the Accounting Officer, addressing key operational, financial, and governance issues in line with Regulation 166(2) of the PFM Regulations.
- xiii) The Audit Committee will develop and implement a formal self-assessment framework to evaluate its performance annually. The results of these assessments will be documented and submitted to the Accounting Officer to facilitate continuous improvement, ensure alignment with its mandate, and enhance governance effectiveness.
- xiv) To strengthen governance feedback gaps, a structured mechanism will be instituted to collect and review senior management feedback on the performance of the Audit Committee. This process will enhance the Committee's responsiveness and relevance.
- xv) Currently, both the Internal Audit Unit and Audit Committee operate under the budget of the Office of the Governor, with the AIE holder being the Chief Officer. Management has initiated discussions with the County Treasury to ensure that future budget cycles allocate a distinct vote and independent AIE for both the Internal Audit Unit and Audit Committee, in alignment with Regulation 155(1) of the PFM (County Governments) Regulations, 2015.
- xvi) The management has advised all the members to ensure that they are compliant with their respective professional bodies.

Committee Observations

The Committee observed that

- 1) The Audit Committee failed to execute its primary mandate. No annual reports were published, and there was no evidence of independent reviews of financial statements or internal controls, directly violating Section 155 of the PFM Act
- 2) The Internal Audit Unit and Audit Committee lacked independent budgets and administrative authority.

- 3) Two (2) members of the Audit Committee were not in good standing with the ICPAK, which is a mandatory requirement for members of such committees to ensure technical competence and ethical compliance.

Committee Recommendations

The Committee recommends that;

- 1. The County Public Service Board ensures that all members of the Audit Committee provide a valid Letter of Good Standing from ICPAK or their respective professional bodies within ninety (90) days, failing which their appointments should be revoked.**
- 2. The County Governor realigns the Internal Audit Directorate to report functionally to the Audit Committee and administratively to the Accounting Officer, with a clear organogram and an independent budget vote, as per Regulation 156.**
- 3. consider amending the PFM (County Government) Regulations, 2015, to mandate separate and sufficient budgetary allocations for Audit Committees and Internal Audit units to guarantee their operational independence.**

4.2 Deficiencies in Internal Audit Functions

Review of the internal audit department revealed the following anomalies;

- i) The Head of Internal Audit unit had not provided evidence of annual report of self-assessment of the effectiveness of the Internal Audit Department and annual review of the performance to County Treasury.
- ii) The Internal Audit Department did not carry out risk assessments neither did they have in place risk register which is fundamental for effective internal audit.
- iii) The Internal Audit Unit had not undergone a professional assessment of its effectiveness by a professionally recognized body or institution in the last three years.
- iv) The Head of Internal Audit Department had not provided the Audit Committee with a progress report summarizing; work performed in comparison with the approved Annual Work Plan, reports on consulting engagements undertaken and other special assignments, risks which Management had accepted to undertake and were not acceptable according to the Internal Auditor's opinion, major disagreements with Management, reports on cooperation between internal and external audit and periodic management accounts.
- v) There was no organogram to inform operation structure and reporting relationships. In addition, it was noted that the Directorate had been placed under the Chief Officer in the Office of the Governor. Further, the Internal Audit Unit lacked independent budgets or authority to incur expenditure. In the circumstances, the County Executive may not have benefited from the audit and oversight.

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

Management reported the following measures regarding the Internal Audit Unit:

1. Self-Assessment and Performance Reviews: Management acknowledged lapses in documenting and providing evidence of self-assessments and performance reviews. The Head of Internal Audit (HIA) has scheduled a comprehensive self-assessment exercise during FY 2025/2026. The results will be documented and incorporated into the Internal Audit Annual Report, in compliance with Regulation 159(1) of the PFM (County Governments) Regulations, 2015.
2. Risk-Based Auditing: Management recognized the importance of risk-based auditing and indicated that a risk management policy framework is currently being developed to guide audit planning and operations.
3. External Quality Assessment: Management reported that an external quality assessment by a professionally recognized institution will be conducted in the upcoming financial year, in compliance with Regulation 159(3) of the PFM Regulations.
4. Resource Constraints and Reporting: During the audit period, the Internal Audit Unit was under-resourced and lacked a substantive director. Management noted that with current staffing improvements, the Unit will submit quarterly progress reports covering implementation of the Annual Work Plan, risk assessments, cooperation with external auditors, and budget performance.
5. Directorate Realignment: Management is in the process of realigning the Internal Audit Directorate to comply with Regulation 156 of the Public Finance Management (County Governments) Regulations, 2015.

Committee Observations

The Committee observed that;

- 1) The Internal Audit Unit has operated without a Risk Management Framework or a Risk Register.
- 2) The Unit is currently domiciled under the Office of the Governor without a formal organogram or an independent budget (A.I.E. authority).
- 3) The Head of Internal Audit has failed to submit progress reports to the Audit Committee regarding work plan execution or management's failure to cooperate with audit inquiries.

Committee Recommendations

The Committee recommends that;

- 1) The Office of the County Governor to put in place a Risk Management Framework Plan within ninety (90) days from the date of adoption of this report.
- 2) The Office of the County Governor to realign the Internal Audit Directorate to ensure it realign the Internal Audit Directorate to ensure it reports functionally to the Audit Committee and only administratively to the Accounting Officer, as per

Regulation 156. This includes providing a clear organogram and an independent budget vote.

- 3) The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.**

5.0 Manual Processing of Salary

The County Executive processed employee's salary totaling Kshs. 230,406,186 manually through payrolls maintained in excel. The use of manual payroll systems for salary processing is vulnerable to errors.

In the circumstances, salary processing controls could not be confirmed.

Management Response

Management acknowledged that the County has been operating a manual payroll system. Management reported that the County Government has initiated the process of acquiring Payroll Numbers to facilitate the integration of all staff into the Human Resource Information System (HRIS).

Management further indicated that payroll numbers have already been requisitioned for over 900 ECDE staff, with only eleven (11) officers pending reactivation. The delay in processing these remaining cases was attributed to Unified Payroll Number (UPN) requirements, which necessitate coordination among the employer, the employee, and the former employer.

Management stated that the County Government is actively following up on the matter to ensure full integration of all staff into the HRIS and complete clearance of the manual payroll system.

Committee Observations

The Committee noted that;

- 1) Continued reliance on manual payroll processing, despite National Treasury and PSC directives on automation, demonstrates delayed compliance and weak administrative oversight.
- 2) Salaries amounting to Kshs. 230,406,186 were processed through an Excel-based payroll system, which lacks automated controls and audit trails available in IPPD/HRIS, thereby exposing public funds to risk.

Committee Recommendations

The Committee recommends that;

PAPER NO. _____	
DATE	_____
TABLED BY	_____
COMMITTEE	_____
CLERK AT THE TABLE	_____

- 1) The County Governor completely discontinues the manual processing of salaries and ensures 100% integration of all county staff into the authorised HRIS/IPPD system within ninety (90) days of the adoption of this report.
- 2) The County Governor engages the State Department for Public Service to urgently fast track the issuance of Personal Numbers (PPNs) to any remaining staff to enable their full onboarding onto the IPPD system.
- 3) The County Governor submits evidence of the completed payroll automation and the operational effectiveness of the new system's controls to the Auditor-General within ninety (90) days.

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

The Governor of Elgeyo Marakwet County Executive Hon. Wisley Rotich appeared before the Committee on Friday, 6th February, 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Revenue Fund for Elgeyo Marakwet County Executive for the Financial Year 2024/2025.

Basis for Qualified Opinion

1.0 Misstatements in Exchequer Releases

The statement of financial performance reflects Exchequer releases received by the County of Kshs.4,826,732,152 as disclosed in Note 6 to the financial statements. However, schedule of Exchequer releases and financial records of The National Treasury disclosed Kshs.5,210,848,408 resulting to a variance of Kshs.384,116,256.

In the circumstances, the accuracy and completeness of Exchequer releases of Kshs.4,826,732,152 could not be confirmed.

Management Response

The management submitted that During the financial year 2024/2025, the County Government received Equitable share allocation of Kshs.4,826,732,152. The amount of Kshs.384,116,256 received in the County Revenue fund on 26th July 2024 is the late disbursements relating to allocations for financial year 2023/2024

The amount of Sh.384,116,256 was recognized in the Opening Statement as at 1st July,2024 in the Statement of Financial position under Receivables from Non –Exchange transactions.

The amount was recognized in the opening Statement of Financial position in accordance with IPSAS 33-First time adoption of accrual which require a first-time adopter to prepare and present an opening statement of financial position at the date of adoption.

Committee Observations

1. The Committee observes that there is a material discrepancy of **Kshs. 384,116,256** between the Exchequer receipts of Kshs.4,826,732,152 reported in the County Revenue Fund (CRF) financial statements and the records held by the National Treasury, which indicate a disbursement of Kshs.5,210,848,408.
2. While the management attributes this to a late disbursement for the previous financial year, this variance fundamentally impairs the accuracy, completeness, and reliability of the CRF's financial statements for the year ended 30th June 2025. This constitutes a breach of the principle of accurate financial reporting as required by **Article 201(a) of the Constitution and Section 80 of the PFM Act.**

Committee Recommendations

The Committee recommends that

- 1) **The National Treasury must strictly comply with Article 219 of the Constitution and Section 17(6) of the PFM Act, by ensuring that funds due to county governments are transferred without undue delay and in accordance with the disbursement schedule approved by the Senate.**
- 2) **The County Executive Committee Member for Finance must conduct a formal reconciliation of the CRF records with the National Treasury's exchequer statements. A comprehensive reconciliation report, explaining the timing differences and confirming the final position, must be submitted to the Office of the Auditor-General within ninety (90) days of the adoption of this report for verification and clearance of the audit query.**

2.0 Inaccuracies in Transfers from County Government Entities

The statement of financial performance reflects under revenue from non-exchange transaction, transfers from County Government agencies of Kshs.480,373,835 as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.106,532,665 transferred to Elgeyo Marakwet Climate Change Fund. However, records at The National Treasury disclosed

PAPER	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Kshs.19,235,888 comprising of Kshs.8,942,278 from IDA and Kshs.10,293,610 from KFW resulting to a variance of Kshs.87,296,777 that was not explained.

In the circumstances, the accuracy and completeness of transfer from County Government entities of Kshs.106,532,655 could not be confirmed.

Management Response

During the year ended 30 June 2025, the County Government received a total of Ksh.480,373,835 from donors and other Government entities as reflected in the Note 7 to the financial statements

The amount of Sh.106,532,665 transferred from the County Revenue Fund (CRF) to Elgeyo Marakwet Climate Change Fund include the Matching grants (Counterpart funding) and the Donor funds relating to the financial year 2023/2024.

The amount was transferred to Special Purpose Account (SPA) in the financial year 2024/2025 as explained in the table below;

No.	Date of payment	CBK Ref:no	Amount	Response
1	3-Mar-25	FT250624795P	2,000,000	The amount of Sh.2,000,000 transferred to Climate Change is the Counterpart funding/Matching grant Climate Change Institutional Support grants from Elgeyo Marakwet County Recurrent Budget. <i>(The source of funds is the County Budget and not donor funds)</i>
1	6-Dec-24	FT24341YZTRQ	11,000,000	The amount sh.11,000,000 transferred to Climate Change relate to Climate Change Institutional Support grants received in the FY 2023/2024. The amount was transferred to Special Purpose in the FY 2024/2025

2	6-Dec-24	FT24341N0XM7	46,943,765	The amount of Sh. 46,943,765 transferred to Climate Change relate to Climate Change Resilient Investment grants (CCRIG) for FY 2023/2024. The amount was tranferred to Special Purpose in the FY 2024/2025
3	3-Mar-25	FT25062BPJL0	46,588,900	The amount transferred to Climate Change is the Counterpart funding/Matching grant to Climate Change Institutional Support grants. The amount was transferred from Elgeyo Marakwet County Development Budget. <i>(The source of funds is the County Budget and not donor funds)</i>
		Total Ksh.	106,532,665	

We confirm that ,the County Government received sh.19,235,888 in the Financial year 2024/2025 which agrees with the disbursements from the National Treasury

The amount of Sh.19,235,888 .(*Sh 10,293,610.00 and Sh. 8,942,278.00 was received on 14th July 25 and 17th July 25 respectively*) is not included in the total amount of Sh.106,532,665 reflected in the financial statements for the period ended 30 June 2025. The amount was transferred on 26th September, 2025 to the SPA. Extract of CBK County Revenue Fund (CRF) and Climate Change Account Bank Statements were provided.

Committee Observations

The Committee observed a variance of Kshs.87,296,777 between transfers from County Government entities reported in the financial statements (Kshs.106,532,665) and records of the National Treasury (Kshs.19,235,888), which remained unexplained.

Committee Recommendations

The Committee recommends that;

- 1) The Accounting Officer must ensure that all transfers from the CRF to other county government entities, including the Climate Change Fund, are properly classified, accrued, and disclosed in accordance with the accrual basis of accounting and the**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

specific reporting templates provided under Regulation 97(1) of the PFM (County Governments) Regulations, 2015.

- 2) The Accounting Officer shall prepare and submit a detailed reconciliation report to the Auditor-General within ninety (90) days of the adoption of this report, clearly distinguishing between current-year receipts, prior-year funds, and county counterpart funding.

3.0 Disclosure of Returns to County Revenue Fund from Entities

The statement of financial performance reflects returns to County Revenue Fund from entities of Kshs.17,775,994 as disclosed at Note 9 to the financial statements. However, the corresponding entities in County Executive have not disclosed the returned amounts in their financial statements as detailed below;

Description	2024/2025
County Executive	Amount (Kshs)
Recurrent Account	3,868
Development Account	14,797,126
Other Salary Suspense Account	2,975,000
Total	17,775,994

In the circumstances, the accuracy and completeness of transfer from County Government entities of Kshs.17,775,994 could not be confirmed.

Management Response

The amount of Sh.17,775,994 relate to unspent balances as at 30 June 2024. The amount was transferred to the CRF in July 2025 from Recurrent and Development account.

The omission of Sh.17,775,994 in the financial statements for the County Executive for the financial year 2024/2025 is noted. The financial statements for the FY 2025/2026 will be restated to correct the error.

Committee Observations

1. The Committee observes a fundamental breakdown in the reconciliation process between the CRF and county entities. Returns to the CRF amounting to Kshs. 17,775,994 (unspent balances from the previous year) were correctly recorded in the CRF's books but were omitted from the financial statements of the County Executive entities that returned the funds.
2. This omission contravenes Section 164(2)(f) of the PFM Act, which requires accounting officers to prepare financial statements that include a statement of the entity's

performance, and fails to reflect a true and fair view of the entities' financial position as required by the accounting standards.

Committee Recommendations

The Committee recommends that:

- 1. The County Executive Committee Member for Finance issues a directive to all accounting officers to ensure that all end-of-year surplus cash balances are not only surrendered to the CRF as required by Regulation 84 of the PFM (County Governments) Regulations, 2015, but are also accurately reflected in their respective annual financial statements.**
- 2. The County Executive must restate the affected financial statements for the financial year 2024/2025 to include the Kshs. 17,775,994 as a return of funds. A compliance report, confirming the restatement and submission to the Auditor-General and the Senate, must be provided within ninety (90) days of the adoption of this report.**

4.0 Variance in Receivable from Receiver of Revenue

The statement of financial position reflects Nil receivables as indicated in Note 16 to the financial statements. However, statement of financial position and Note 34 of receiver of revenue reflects payables due to the County Revenue Fund (CRF) balance of Kshs.1,241,339.

In the circumstances, the accuracy of the Nil receivables balance could not be confirmed.

Management Response

The amount of Ksh.1,241,339 reflected in the Statement of financial Position (Note 34) of Receiver of Revenue relate to amount not transferred to County Revenue fund as at 30th June 2025.

The Receivables from Receiver of Revenue was not recognized in the Financial Statement for the County Revenue Fund as pointed out.

The omission of Receivables totaling to Ksh.1,241,339 in the financial statements for the County Revenue Fund has been noted and will be corrected in the financial year 2025/2026.

Committee Observations

- 1. The Committee observes a failure in the inter-account reconciliation mechanism. The CRF reported nil receivables, yet the Receiver of Revenue's own financial statements disclosed a payable of Kshs. 1,241,339 due to the CRF. This discrepancy indicates that**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

revenue collected by the Receiver was not fully remitted or that the transaction was not recorded in the CRF's books by year-end.

2. This variances undermines the integrity of the financial reporting process and contravenes the principle that all public money must be properly accounted for, as stipulated in Section 157 of the PFM Act, and the requirement for accurate books of accounts under Regulation 100 of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

The Committee recommends that:

1. **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.**
2. **The County Executive Committee Member for Finance must conduct an immediate investigation to identify the Kshs. 1,241,339 and ensure its transfer to the CRF. A reconciliation report, explaining the root cause of the variance and confirming the resolution, must be submitted to the Auditor-General within ninety (90) days of the adoption of this report**

5.0 Variance in Disbursement to County Revenue Fund

The statement of financial performance does not reflect amounts received from receiver of revenue. However, statement of revenue and disbursement of receiver of revenue reflects disbursement to County Revenue Fund of Kshs.79,259,416 as disclosed in Note 24 to the revenue statements.

In the circumstances, the accuracy and completeness of County Revenue Fund revenues could not be confirmed.

Management Response

The amount of Ksh. 79,259,416 transferred from Receiver of Revenue as disclosed in Note 24 to the revenue statements is reflected in the County Revenue Fund (CRF) Statement of Financial Performance under note 10 and 11 as follows;

Non-Exchange own Source Revenue	-	Sh.58,229,049
Exchange own Source Revenue	-	<u>Sh.21,030,367</u>
Total Ksh	-	<u>Ksh.79,259,416</u>

The amount transferred from Receiver of Revenue agrees with the amount reflected in the County Revenue Fund financial statements.

Committee Observations

1. The Committee notes that while the management's response clarifies that the Kshs. 79,259,416 from the Receiver of Revenue is included in the CRF's own-source revenue (Non-Exchange and Exchange), the initial lack of clear disclosure in the financial statements is a concern. **Section 80 of the PFM Act**, requires financial statements to be clear and comprehensible.
2. The aggregation of this figure into the total own-source revenue without a clear cross-reference to the Receiver's statements obscures the trail of funds and hinders effective audit and oversight.

Committee Recommendations

The Committee recommends that:

1. **The County Treasury must strengthen its reconciliation procedures between the CRF and the Receiver of Revenue. Future financial statements should include clear notes that explicitly reconcile the amounts received from the Receiver of Revenue with the amounts reported as "own-source revenue" in the CRF's statement of financial performance.**
2. **The Accounting Officer shall provide a status report on the enhanced reconciliation procedures to the Auditor-General within ninety (90) days of the adoption of this report.**

6.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.7,899,868,959 and Kshs.5,404,141,397 respectively resulting to an under-funding of Kshs.2,495,727,562 or 32% of the budget. Similarly, the Fund spent Kshs.5,779,483,685 against actual receipts of Kshs.5,404,141,397 resulting to an over expenditure of Kshs.375,342,288 of the actual receipts.

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

Management Response

The County Government did not receive Ksh. 2,495,727,562 into the CRF during the year from the revenue sources as tabulated below;

Revenue Sources	Approved Budget	Actual amount Received into the CRF	Amount not received

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Equitable Share	4,826,732,019	4,826,732,152	(133)
Local Revenue	357,429,871	79,259,416	278,170,455
Refund of unspent balance CRF Issues	-	17,775,994	(17,775,994)
Balance b/d (Roll-over funds)	1,154,737,550	-	1,154,737,550
DANIDA	5,947,500	5,947,500	-
Kenya climate Smart Agriculture program	10,918,919	-	10,918,919
Kenya Livestock commercialization project	40,150,000	39,998,624	151,376
Emergency Locust Response project	121,025,000	-	121,025,000
Food Systems Resilience Project (FSRP)	173,076,923	70,127,132	102,949,791
Financing Locally Led Climate Action Program (FLoCCA)	180,000,000	10,293,610	169,706,390
Nutrition International (NI)	477,400	-	477,400
Kenya Informal Settlement ImprovementProgram II – IDA	261,751,540	260,000,000	1,751,540
Kenya Informal Settlement ImprovementProgram II- IFAD	239,000,000	-	239,000,000
County Aggregated Industrial Park	250,000,000	-	250,000,000
Kenya Urban Support Programme	53,278,289	41,251,578	12,026,711
KDSP-II	37,500,000	-	37,500,000
Community Health Promoters	37,200,000	-	37,200,000
RMLF	150,644,148	52,755,391	97,888,757
Total	7,899,869,159	5,404,141,397	2,495,727,762

The underfunding of Sh.2,495,727,762 in the 2024/2025 Budget was as a result of funds not received during the year comprise of;

- (i) Donor funds totalling to Sh.1,080,595,884 not received from various donor and government agencies during the year.
- (ii) Sh.278,170,455 from Own Source Revenue relate to the FIF funds retained at the facilities following the enactment of FIF Act
- (iii) Budget roll -overs (Opening Fund balance) of Sh.1,154,737,550 from the previous year

The amount of Sh.375,342,288 relate to the roll- over funds projects (*Balance brought forward from the previous year*). A total of Ksh.1,154,737,550 roll-over funds was re-budgetted in the financial year 2024/2025 as shown in the above table.

The County Treasury is making follow up with the National Treasury to ensure that funds are released on time for smooth implementation of budget programmes as recommended.

Committee Observations

The Committee observed an underfunding of Kshs.2,495,727,562 (32%) between the final receipts budget and actual receipts, and an over-expenditure of Kshs.375,342,288 against actual receipts.

Committee Recommendations

The Committee recommends that;

1. **The National Treasury comply with Article 219 of the Constitution and Section 17(6) of the PFM Act, by ensuring timely and predictable release of funds to counties in adherence to the Senate-approved disbursement schedule.**
2. **The County Executive Committee Member for Finance must:**
 - a) **Develop and implement a robust revenue enhancement plan to improve the collection of own-source revenue, as mandated by the power to impose taxes and charges under Article 209(3) of the Constitution.**
 - b) **Ensure that future budgets are realistic and based on probable, not just possible, funding sources, particularly concerning donor funds, to comply with the principles of prudent and responsible use of public money under Article 201(d) of the Constitution.**
 - c) **Engage proactively with the National Treasury and relevant development partners to align donor disbursement schedules with the county's budget implementation timeline to prevent stalled projects and accumulation of pending bills.**
3. **The County Assembly, in exercise of its legislative authority under Section 185 of the PFM Act must rigorously scrutinize the County Fiscal Strategy Paper and budget**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- estimates to ensure they are realistic, espouse the people's aspirations, and are based on a credible and achievable resource envelope.

7.0 Unresolved Prior Year Audit Matters

In the prior year audit report, two (2) issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. These included late and partial disbursement of Exchequer and budgetary control and performance. Review of the status during audit of the Fund in 2024/2025 revealed that the matters remained unresolved.

Management Response

- Late and partial disbursement of Exchequer: The amount of Kshs.384,116,256 relating to the Equitable share allocations not in the received by the County Government in the financial year 2023/2024 was received on 26th July 2024.
- Budgetary control and performance: The late and partial disbursement of funds affected the implementation of the planned programmes and activities in the year. The County Government is making follow up on donor funds and Other grants not received through Council of Governors.

Committee Observations

The Committee notes with concern that critical audit issues from the financial year 2023/2024, specifically late/partial disbursement of Exchequer and weak budgetary control, remain unresolved. This indicates a persistent failure by both the County Executive and the National Treasury to address systemic problems, and a failure by the County Executive to comply with Section 53 of the Public Audit Act, 2015, which mandates action on Auditor-General's recommendations.

Committee Recommendations

The Committee Recommends that: -

- the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Kitui Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;
- 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.

8.0 Delayed Disbursement of Exchequer

The statement of financial performance reflects total receipts of Kshs.5,404,141,397. However, included in the receipts was Kshs.1,276,784,640 received from Exchequer and other Government agencies between 18 June, 2025 and 17 July, 2025. The delayed disbursements of Kshs.1,276,784,640 affected the implementation of the planned programmes and activities for the year.

In the circumstances, value for money of Exchequer release of Kshs.1,276,784,640 could not be confirmed.

Management Response

It is true that the County Government received funds totaling **Kshs.1,276,784,640** from the National Government and several donors late in the financial year through the National Treasury as tabulated below:

Date	Ref:no	Source	Donor	Amount
08-Jul-25	FT25189KGRLB	Grants –Donor funds	SPA –KELCOP	39,998,624
04-Jul-25	FT25185YLY87	Grants -World Bank	KUSP	32,309,300
04-Jul-25	FT25185P7470	Grants -World Bank	SPA –FSRP	70,127,132
04-Jul-25	FT25185ZK40Q	Grants –World Bank	Kenya Informal Sector Program KISP II	100,000,000
08-Jul-25	FT251890C7BD	Donor Funds KISP II	Kenya Informal Sector Program KISP II	160,000,000
10-Jul-25	FT2519140NRJ	Grants -World Bank	DANIDA	5,947,500
14-Jul-25	FT251953056C	Grants -World Bank	FLLOCCA	10,293,610
18-Jun-25	FT25169BMSXG	Donor Funds -RLMF	Roads Maintenance Levy Funds –RLMF	52,755,391
17-Jul-25	FT25198XTW5G	Donor funds -UIG	Donor funds -UIG	8,942,278
20-Jun-25	FT2517145XPF	Exchequer issues	Equitable share	410,272,231

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

26-Jun-25	FT25177G0M7S	Exchequer issues	Equitable share	386,138,577
Total				1,276,784,640

The County Treasury will make follow with the National Treasury and Controller of Budget to ensure funds are released on a timely basis for smooth implementation of budget programmes

Committee Observations

The Committee observed that Kshs.1,276,784,640 from the Exchequer and other agencies was received between 18 June and 17 July 2025, causing delayed implementation of planned programmes

Committee Recommendations

The Committee recommends that:

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

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

The Governor of Elgeyo Marakwet County Executive Hon. Wisley Rotich appeared before the Committee on Friday, 6th February, 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on Receiver of Revenue for Elgeyo Marakwet County Executive for the Financial Year 2024/2025.

1.0 Variance in Payables Due to County Revenue Fund

The statement of financial position reflects payables to the County Revenue Fund (CRF) balance of Kshs. 1,241,339 as disclosed in Note 34 to the revenue statements. However, the County Revenue Fund revenue statements reflect Nil receivables balance.

In the circumstances, the accuracy of the payables balance of Kshs. 1,241,339 could not be confirmed.

Management Responses

Management reported that the reconciliation of the two sets of financial statements had revealed an omission of Kshs. 1,241,339, which was reflected in the Statement of Financial Position (Note 34) of the Receiver of Revenue as at 30th June 2025 but was not recognized in the County Revenue Fund financial statements.

The amount of Kshs. 1,241,339 was transferred and received into the County Revenue Fund as tabulated below

Source of Funds	Amount payable from ROR	Date transferr ed from ROR	Amount Received in the CRF	Date received in the CRF
Access Bank	1,025,635	8/07/2025	1,025,635	8/07/2025
Kenya Commercial Bank	6,719	7/07/2025	6,719	7/07/2025
Cash in Transit	208,985	8/07/2025	208,985	8/07/2025
Total receivables/Payables	1,241,339	-	1,241,339	

Management stated that the amount had been transferred and received into the County Revenue Fund as indicated in the tabulated records. Management further reported that the County Revenue Fund financial statements would be restated in the FY 2025/26 to correct the omission.

Committee Observations

The Committee observed a variance of Kshs. 1,241,339 between the financial statements of the Receiver of Revenue and the County Revenue Fund (CRF).

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the accounting officer and any other officer(s) responsible for failure to undertake accurate reconciliation of financial statements within the stipulated timelines and submit a report to the Committee within 90 days of adoption of this report.

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- 2) The County Governor must ensure strict adherence to the Public Sector Accounting Standards Board regulations by submitting accurate and reliable reconciliations of the financial statements in the prescribed timelines.
- 3) The Receiver of Revenue to perform a comprehensive reconciliation of the Kshs. 1,241,339 balance and provide a signed reconciliation statement to the Auditor-General and the Senate within ninety (90) days from the date of adoption of this report.

2.0 Variance in Disbursement to County Revenue Fund

The statement of revenue and disbursement reflects disbursement to County Revenue Fund of Kshs. 79,259,416 as disclosed in Note 24 to the revenue statements. However, the statement of performance of County Revenue Fund did not disclose this amount.

In the circumstances, disbursement of Kshs. 79,259,416 to the County Revenue Fund could not be confirmed.

Management Responses

Management confirmed that the amount of Kshs. 79,259,416 transferred from the ROR, as disclosed in Note 24 of the Revenue Statements, has been fully reflected in the County Revenue Fund (CRF) financial statements.

Breakdown of the amount in the CRF Statement of Financial Performance:

- Non-Exchange Own Source Revenue: Kshs. 58,229,049 (Note 10)
- Exchange Own Source Revenue: Kshs. 21,030,367 (Note 11)
- Total: Kshs. 79,259,416

An extract of the CRF Statement of Financial Position for the period ended 30 June 2025 was provided. Management has ensured proper recording and alignment between the ROR and CRF.

Committee Observations

The Committee noted a presentation inconsistency where Kshs. 79,259,416 disbursed to the County Revenue Fund (CRF) was not disclosed as a direct transfer from the Receiver of Revenue but reported under Exchange and Non-Exchange Own Source Revenue.

Committee Recommendations

The Committee recommends that the County Treasury, in accordance with Section 104(1)(j) of the PFM Act and the formats prescribed by the PSASB, harmonizes the presentation of financial statements. The annual financial statements must clearly and separately disclose the gross transfers from the Receiver of Revenue to the County Revenue Fund to ensure transparency and consistency, preventing such obscurity in future reports

3.0 Recoverability of Receivables

3.1 Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs. 88,912,704 as disclosed in Note 32 to the revenue statements. However, analysis of ageing balances revealed the status as follows; less than one (1) year Kshs. 2,587,223; between 1-2 years Kshs. 3,193,438; between 2-3 years Kshs. 3,193,438 and over 3 years Kshs. 83,132,043. There was no evidence that Management had instituted appropriate interventions to collect the long outstanding receivables. In addition, Management did not provide for impairment loss on long outstanding receivables.

In the circumstances, the accuracy and recoverability of the receivables from non- exchange transactions balance of Kshs. 88,912,704 could not be confirmed.

Management Response

The long outstanding receivables from Non-Exchange of Kshs 83,132,043 relates to accumulated land rates arrears. The prolonged outstanding balances are largely attributable to low compliance levels among landowners in settling historical arrears and current annual rates. However, the county government has put in place measures to enhance recoverability of the outstanding arrears. These include;

- a) Updating the valuation roll to facilitate the preparation and implementation of revised rate schedules as approved under the County Finance Act.
- b) Undertaking taxpayer sensitization and public awareness campaigns through public barazas across all sub-locations. The Receiver of Revenue is working closely with village elders, assistant chiefs, town committees, and town administrators to improve outreach and engagement with landowners.
- c) Initiating arrears recovery and enforcement measures in accordance with the provisions of the National Rating Act, 2024. In this regard, the County Government has issued a sixty (60)-day statutory notice to all land and plot owners requiring settlement of outstanding rates arrears, failure to which enforcement actions will be undertaken. A copy of the notice has been provided and marked as *Annex 2*.

Committee Observations

The Committee observed that;

- 1) Receivables from non-exchange transactions totaling Kshs. 88,912,704 remain uncollected, with Kshs. 83,132,043 outstanding for over three years.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- 2) The management failed to provided evidence of actual recoveries or a detailed ageing analysis for verification.

Committee Recommendations

1. The County Executive must, within 90 days, develop and submit to the Auditor-General and the Senate a comprehensive Debt Recovery and Impairment Policy. This policy must include specific timelines for collection, mechanisms for enforcement (including agency or legal action) as per the County's Finance Act, and a clear methodology for computing and recognizing impairment for doubtful debts in line with PSASB standards.
2. The Committee recommends that the Auditor-General, in the subsequent audit, conduct a detailed review of the ageing analysis and assess the effectiveness of the new recovery measures, specifically verifying whether appropriate impairment provisions have been recognized.
3. The County Governor takes administrative action against the Chief Officer (Finance) and other relevant officers for violating Section 156 of the PFM Act by failing to provide documents to the Auditor-General. A status report on the action taken must be submitted to the Auditor-General and the Senate within ninety (90) days.
4. The Committee recommends the Director of Public Prosecutions consider the investigation report from the Directorate of Criminal Investigations regarding the potential breach of Section 62(1)(b) and (c) of the Public Audit Act (obstruction of the Auditor-General) and initiate prosecution where evidence supports it.

3.2 Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 84,208,348 as disclosed in Note 33 to the revenue statements. However, analysis of ageing balances revealed the status as follows; less than one (1) year Kshs. 1,300,511; between one to two (1-2) years Kshs. 6,455,403; between two to three (2- 3) years Kshs. 6,455,403 and over three (3) years Kshs. 69,997,031. There was no evidence that Management had instituted appropriate interventions to collect the long outstanding receivables. In addition, Management did not provide for impairment loss on long outstanding receivables.

In the circumstances, the accuracy and recoverability of the receivables from non-exchange transactions balance of Kshs. 84,208,348 could not be confirmed.

Management Response

Management stated that the long outstanding receivables from non-exchange transactions amounting to Kshs. 83,132,043 relate to accrued revenues such as rents, user fees, and other charges for services rendered. Management attributed the persistence of these balances to low

compliance levels among some debtors and legacy arrears accumulated over previous financial periods.

Management further stated that the County Government had put in place measures to enhance recovery of the outstanding receivables. These include strengthening debtor management through review and updating of billing records and reconciliation of debtor registers with the financial system, conducting taxpayer sensitization and stakeholder engagement forums to encourage voluntary compliance, and instituting recovery and enforcement measures, including issuance of demand notices and recovery actions against persistent defaulters.

Management also indicated that the County Government is considering structured settlement arrangements, including waiver of penalties and accrued interest on a case-by-case basis, subject to full settlement of the principal amounts and approval by the relevant authority.

Further, Management undertook to review the ageing of receivables and assess their recoverability in accordance with applicable Public Sector Accounting Standards, and where recovery is deemed doubtful, appropriate impairment provisions will be recognized in subsequent financial statements.

Committee Observations

The Committee observed that;

- 1) Receivables from exchange transactions totaling Kshs. 84,208,348 remain uncollected, with Kshs. 69,997,031 outstanding for over three years.
- 2) The management failed to provide evidence of actual recoveries, impairment provisions, or a detailed ageing analysis to support the recoverability of the outstanding balances.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive put in place appropriate measures to ensure the timely recovery of receivables. Further, the Committee recommends that the Auditor General review and report on the status of the receivables in the subsequent audit cycle.**
- 2) **The County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.**
- 3) **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.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

4.0 Unresolved Prior Year Matters

In the prior year audit report, two issues were raised under the Report on Revenue Statements and Effectiveness of Internal Controls, Risk Management and Governance, respectively. These include unsupported arrears of revenue and weak internal controls in revenue management. Review of the status during audit of the Receiver of Revenue in 2024/2025 revealed that the matters remained unresolved.

Management Response

Management stated that it is taking corrective measures to address the issues raised, including strengthening reconciliation procedures to verify and substantiate revenue arrears, enhancing internal controls over revenue collection, documentation, and reporting, and implementing regular reviews and supervision to ensure compliance with approved procedures and timely resolution of outstanding issues.

Management further stated that it is committed to resolving the matter and improving accountability and transparency in revenue management in subsequent financial periods.

Committee Observations

The Committee observed that prior year issues on unsupported revenue arrears and weak internal controls remain unresolved.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive to 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.**

5.0 Breach of Data Protection Law

Review of revenue system revealed that the Receiver of Revenue was piloting a Revenue Management System that was developed, implemented, and maintained by a local technology expert. The pilot system operates the following revenue modules; street parking, single business permit, cess, park fees, promotion and advertisement, fire compliance, slaughter fees, market fees, clamping fees and penalties. The data collected by the system such as; bank account details, mobile money account, date of birth of tax payers, car registration numbers and national

identification numbers was personal and sensitive in nature. Further, the piloted Revenue Management System revealed the following breaches of the data protection laws;

- i) The County Executive had not registered with the Data Commissioner as a data controller or data processor respectively despite having unlimited access to public personal data hence breaching data confidentiality principle of the Data Protection Act, 2019.
- ii) Management had not established personal data retention schedule, appropriate time limits for the periodic review of the need for the continued storage and protection impact assessment prior to processing of the data as required by data protection regulations.
- iii) The Receiver of Revenue had not developed and published a policy reflecting the entity's personal data handling practices.
- iv) Management did not enter into a written contract relating to data handling obligations by the vendor on behalf of the County Government.
- v) The County Executive had not implemented the elements necessary to safeguard the principle of storage limitation including having in place means of managing policies and procedures for information security, assessing the risks against the security of personal data and putting in place measures to counter identified risks and regularly reviewing and testing the revenue management system to uncover vulnerabilities.
- vi) The County Executive had not implemented the elements necessary to safeguard the principle of storage limitation including having in place a clear internal procedure for deletion and destruction of personal data of subjects, determining what data and length of storage of personal data that is necessary for the purpose and formulating internal retention statements of implementing them.

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

Management Response

Management remains committed to full compliance with the Data Protection Act, 2019 and will continue strengthening governance, policies, and controls over personal data processed through the Revenue Management System.

The County Executive recognizes the importance of safeguarding personal and sensitive data and has undertaken corrective measures to address the identified gaps, as outlined below:

- i) The County Executive is in the process of registering with the Office of the Data Protection Commissioner as a data controller and data processor, in compliance with the requirements of the Data Protection Act, 2019.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- ii) Management has developed a draft Data Protection Policy for the Revenue Management System, which outlines data retention schedules, periodic review timelines, and requirements for conducting Data Protection Impact Assessments prior to processing personal data. The draft policy is currently undergoing approval by the County Executive Committee. A copy of the draft policy has been attached and marked as *Annex 3*.
- iii) Management has entered into a formal contract with Safaricom PLC for the provision of an integrated County Revenue Management System. Clause 15 of the contract provides for data handling obligations, including data access controls, storage, retention, permitted use, and secure destruction of personal data held within the system. An extract of the relevant contract provisions has been attached and marked as *Annex 4*.
- iv) The County Executive is in the process of developing and publishing a comprehensive personal data handling and privacy notice to clearly communicate the entity's data processing practices to data subjects, in line with statutory requirements.
- v) Management has commenced the implementation of information security measures to safeguard personal data, including risk assessment procedures, system access controls, and periodic system reviews to identify and address potential vulnerabilities.
- vi) The County Executive is developing internal procedures for data retention, deletion, and secure destruction of personal data, including defining the categories of data to be retained and the applicable retention periods in accordance with legal and operational requirements.

Management remains committed to ensuring full compliance with the Data Protection Act, 2019 and will continue to strengthen governance, policies, and controls over personal data processed through the Revenue Management System.

Committee Observations

The Committee observed that the County Executive has not completed registration with the Data Commissioner and lacks an approved and operational data protection policy.

Committee Recommendations

The Committee recommends that the County Executive should develop, approve, and implement a comprehensive Data Protection Policy covering data retention schedules, periodic review, privacy notices, and mandatory Data Protection Impact Assessments and submit a status report to the Auditor General with 90 days of adoption of this report.

6.0 Ineffective Management of Reserved Street Parking

The audit observed that the receiver of revenue had maintained a register of reserved parking slots. However, the register did not indicate specific parking slot numbers and corresponding

client identities making it difficult to link or trace parking revenue to a particular client or reserved parking.

In the circumstances, there was ineffective management of the reserved street parking.

Management Response

The County Government has currently reserved a total of twenty (20) parking slots for various business entities and institutions within Iten Town, as detailed below:

Organization	Number of Reserved Parking Slots
Cooperative Bank	5
Kenya Power	7
Transnational Bank	2
Kenya Revenue Authority	3
DOS Stores	1
Keiyo Distributors	1
Berur Agrovat	1
Total	20

Management notes that while a register of reserved parking slots exists, the absence of clearly marked, numbered slots and corresponding client identifiers limited effective traceability and monitoring of revenue.

To address this weakness, the Management of the Receiver of Revenue, in collaboration with the Iten Municipality Administration, will:

- Clearly mark and physically number all reserved parking slots; and
- Update the reserved parking register to include specific slot numbers, assigned clients, and applicable charges to enhance accountability, monitoring, and revenue tracking.

These measures will strengthen control over reserved street parking and improve the effectiveness of revenue management.

Committee Observations

The Committee observed that the ROR maintained a reserved street parking register that lacks numbered slots and client identifiers, making it difficult to trace revenue and monitor compliance.

Committee Recommendations

The Committee recommends that;

PAPERS L/	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

1. The County Governor ensures immediate implementation of the corrective measures proposed by management. A comprehensive physical audit must be conducted to clearly mark and number all reserved parking slots. The revenue register must be updated immediately with mandatory data fields (slot number, client name, amount charged, and payment status). A status report, with photographic evidence, must be submitted to the Auditor-General within 90 days.
2. To ensure long-term control and transparency, the Committee recommends the County Executive fast track the transition of all revenue collection, including reserved parking, to an automated revenue management system. This will enforce segregation of duties and improve audit trails, in adherence to Regulation 63 of the PFM (County Governments) Regulations, 2015. A progress report on the automation should be submitted to the Auditor-General and the Senate within 90 days.

7.0 Lack of Proper Market Records

The audit observed that the receiver of revenue and the market master did not maintain proper records and register of traders that included; name, location allocated and payment status. In addition, traders' information for 2024/2025 and 2023/2024 were mixed up making it difficult to separate the market fee for the two years.

In addition, the Receiver of Revenue budgeted to collect Kshs. 4,419,999 from Physical Planning Department during the year. However, the Department collected Kshs. 2,468,250 resulting to a variance of Kshs. 1,951,749 or 44.1% of the projected revenue. Further, the approval process in the Physical Planning Department required the maintenance of Approval Committee Minutes and a register of all approvals processed. However, verification of both the details of approval register and Development Committee Minutes revealed that the property records were not maintained as detailed below;

Parcel No.	Typology	Development Meeting Date	Auditor Observation
Em/Chepsigot "A"/720	Commercial Development.	30 October, 2024	Approved by Committee but not in register of physical planning
Irong/Sergoit/721	Residential Development	30 October, 2024	Approved by Committee but not in register of physical planning
Irong/Iten/3569	Residential Development	30 October, 2024	Approved by Committee but not in register of physical planning
Irong/Iten/871	Residential	30 October, 2024	Approved by Committee

Parcel No.	Typology	Development Meeting Date	Auditor Observation
	Development		but not in register of physical planning
Irong/Iten/5008	Residential Development	30 October, 2024	Approved by Committee but not in register of physical planning
Irong/Iten/1744	Commercial Development	30 October, 2024	Approved by Committee but not in register of physical planning
Irong/Iten/777	Residential Development	30 October, 2024	Approved by Committee but not in register of physical planning
Moiben/Chebara/143	Church	11 February, 2025	Approved by Committee but not in register of physical planning
Irong/Iten/4870	Residential Development	11 February, 2025	Approved by Committee but not in register of physical planning

In the circumstances, the internal controls on revenue management could not be confirmed.

Management Response

- 1) The County Development control committee was established as a delegated responsibility from County Executive Committee Member for Lands, physical planning, housing and urban developments. The committee is composed of technical officers from physical planning, public health, survey, engineers, architects and environmental officers. The development control records all the applications and will approve in committee meetings all the building plans that have met the requisite documentation.
- 2) The copies minutes of technical committee meetings are provided for review.
- 3) The committee records its register both in hard and soft copies. The excel version captures all the building approval plans highlighted above. The requisite fees/revenue from the plans have been ascertained as having been paid to the revenue office. Copy of the register is provided for review.
- 4) We acknowledge the audit observations regarding inadequate maintenance of trader records, mixing of information for 2023/2024 and 2024/2025, revenue shortfall in the Physical Planning Department, and lack of proper approval documentation. To address these issues, a comprehensive traders' register has been introduced with segregation by financial year, staff have been directed to update records regularly and will undergo

	PAPERS LAID
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

training. With regard to the Physical Planning Department's budgeted revenue projections, future estimates will be aligned with historical trends, monitoring of collections strengthened, and stakeholder engagement enhanced to improve compliance with planning approvals. Additionally, standardized approval registers have been implemented, and in the long term the county plans to digitize property records to ensure accuracy and accountability.

Committee Observations

The Committee observed that

- 1) The management failed to maintain proper trader records, including name, allocated location, and payment status, and records.
- 2) The Physical Planning Department operated without statutory registers or documented committee minutes.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive transition from manual register to a digitized property and market management, and submit a status report to the Auditor General within 90 days of adoption of this report.**
- 2) **The Accounting Officer establish and maintain a statutory development application registers and formal minute ledger for County Physical Planning Liaison Committee, and submit a status report to the Auditor General and the Senate within 90 days of adoption of this report.**

CHAPTER EIGHT

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

The Governor of Trans Nzoia County Hon. George Natembeya, MBS, appeared before the Committee on Thursday 29th January 2026, to respond (under oath) to audit queries raised in the Reports of the Auditor General on the Financial Statements of the County Executive, Receiver of Revenue and county Revenue Fund of Trans Nzoia County Executive for the year ended June 2025

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

1. Variances in Transfers to Other Government Entities

The statement of financial performance reflects transfers to other government entities amount of Kshs.1,759,936,966 as disclosed in Note 9 to the financial statements. Review of bank statements to which payments were transferred during the year revealed deposits amount of Kshs.1,716,964,194 resulting in an unreconciled variance of Kshs.42,972,772. In the circumstances, the accuracy and completeness of transfers to other government entities amount of Kshs.1,759,936,966 could not be confirmed.

Management Response

We confirm that the figure of KES. 1,759,936,966 is the amount that was transferred to other government entities as detailed in note 9 and the supporting schedules were availed to the auditors for audit review and verification. Detailed bank extract schedule in support of the reported figure is attached.

Committee Observation

The Committee observed that the County Executive did not submit relevant documents supporting the transfer to other government entities amount of Kshs.1,759,936,966 resulting in an unreconciled variance of Kshs.42,972,772 to the Auditor General at the time of audit exercise contrary to the Section 62 of the Public Audit Act, 2015.

Committee Recommendations

The Committee recommends that:

- 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report;**
- 2. The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) conduct a thorough investigation into these unauthorized and irregular transfers to establish any culpability for economic crimes and provide a status update to the Office**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

of the Auditor General and the Senate within ninety (90) days of the adoption of this Report

2. Variances in Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.2,569,999,530 as disclosed in Note 17 to the financial statements. Re-computation of the pending payable balances resulted in a total of Kshs.2,668,124,747 resulting in an unexplained variance of Kshs.98,154,217. Further, review of the ageing analysis revealed long outstanding payable balance of Kshs.450,118,576 which had remained outstanding for more than two (2) years. No explanation was provided by Management on steps being undertaken to settle the payables.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.2,569,999,530 could not be confirmed.

Management Response

The variance of Kshs.98,152,217 relates to Employee benefit obligation or payables that had not been settled while Kshs.2,471,847,313 relates to trade and other payables or the general merchants/suppliers/service providers who were engaged by the county. The total figure of trade and other payables is Kshs.2,569,999,530

Committee Observations

1. The Committee observed a fundamental breach of the fiscal responsibility principles set out in Section 107(2) of the PFM Act. The accumulation of Kshs.2.1 billion in Pending bills within a single financial year indicates a failure to manage budgetary resources prudently and economically.
2. Furthermore, the provision of conflicting ageing analyses renders the financial statements unreliable and contravenes Regulation 41(2) of the PFM (County Governments) Regulations, 2015, which requires expenditure commitments to be strictly controlled against approved spending and procurement plans. The lack of a detailed and reconciled ageing analysis impedes the county's ability to prioritize payments as a first charge on the County Revenue Fund.

Committee Recommendations

The Committee therefore recommends that:

1. that trade payables due for more than 365 days be considered indicative of poor financial management and that the County Executive provides actionable payment

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

The Committee further recommends that—

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

PAPERS LAI	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

- v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;
- vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and
- vii. The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.

3. Unsupported Deposits and Retentions

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.38,643,463 as disclosed in Note 18 to the financial statements. However, Management did not provide the supporting schedules, the detailed ageing analysis and movement schedules.

In the circumstances, the accuracy and completeness of the refundable deposits and prepayments balance of Kshs.38,643,463 could not be confirmed.

Management Response

The management provided the supporting schedule, the detailed aging analysis / movement schedule for individual contractors in respect of the refundable deposits and retentions

Committee Observations

The Committee observed that the late submission of supporting schedules for refundable deposits and retentions, after the conclusion of the audit, is a violation of Section 62 of the Public Audit Act, 2015. This practice obstructs the audit process and undermines the principle of timely accountability.

Committee Recommendation

The Committee recommends that-

1. The County Governor takes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.
2. The County Executive must implement strict internal controls to ensure that all supporting schedules are prepared concurrently with the financial statements and availed to the Auditor-General at the commencement of the audit, in line with Regulation 10 of the PFM (County

Governments) Regulations, 2015, which affirms that the accounting officer's responsibility is not diminished by audit.

4. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects purchase of property, plant and equipment amounting to Kshs.1,176,458,773, which differed from Kshs.1,321,157,511 recorded in the asset movement schedule as disclosed under Note 16 to the financial statements, resulting in an unreconciled variance of Kshs.144,698,738. Further, the statement of cash flows reflects net cash flows from operating activities of Kshs.1,943,554,144 which differed from cash generated from operations amounting to Kshs.1,943,910,636 disclosed in Note 19 to the financial statements, resulting in an unreconciled variance of Kshs.356,492.

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

Management Response

We acknowledge the variance between note 16 and Cash flow statements of Kshs.144,698,738. However, the reference to note 16 to the Financial Statement was erroneous as the figure of 1,176,458,773 was a result of adjustments of PPE figure of Kshs. 1,321,157,511 with non-cash items that had been included in the PPE balance at the close of the financial year as detailed in. A reconciliation has been undertaken and both statements are in agreement

Committee Observation

The Committee observed that the Committee observed that the unreconciled variances in the statement of cash flows are a manifestation of weak internal controls and poor-quality financial reporting, which is a direct contravention of an accounting officer's duty under Section 149(1) of the PFM Act, 2012 to ensure financial records comply with the Act and that resources are used in a lawful and effective way. The failure to provide supporting documents to explain the variance contravenes Section 62 of the Public Audit Act, 2015.

Committee Recommendation

The Committee recommends that-

- 1) The County Governor undertakes administrative action against the responsible officer(s) who failed to provide the documents to the auditors in accordance with**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report; and

- 2) The County Executive, in conjunction with the National Treasury, must identify training needs and initiate a capacity-building program for finance department staff on financial reporting standards, as guided by Regulation 5 of the PFM (County Governments) Regulations, 2015.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts of Kshs.10,455,020,040 and Kshs.9,271,085,823 respectively, resulting in under-funding of Kshs.1,183,934,217 or 11% of the budget.

The under-funding may have negatively affected the County Executive's ability to meet its financial obligations and deliver services to the public.

Management Response

The County was under-funded of Revenue Shortfall/under collection of Own Source Resource and development partners' failure to release money for budgeted projects.

Committee Observation

The Committee observed that the underfunding of the County budget was an effect of the late exchequer releases by the National Treasury. The delay in project implementation will deny the county residents the required service delivery accruing from those projects.

Committee Recommendations

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Failure to Appoint Entity Steering Committee for Migration to Accrual Reporting

During the year, Management was required to transition from cash to accrual financial reporting and was expected to put in place a transition committee. However, there was no evidence that the committee was established contrary to requirements of Paragraph 2.1.1 of The National Treasury and Economic Planning circular No.03/2025 dated 14 April, 2025 which requires that each Accounting Officer of an implementing public entity level (both National and County Governments) establish a cash-to-accrual transition committee at entity level.

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

Management Response

The accounting officer appointment to the asset management who is supporting in updating the asset register, capturing assets both historical and current procured asset in the IFMIS Asset Management module,

Committee Observation

The Committee observed that the failure to establish a cash-to-accrual transition committee by the accounting officer was a direct contravention of Paragraph 2.1.1 of National Treasury Circular No. 03/2025. This omission demonstrated a lack of commitment to the transition process, directly impacting the accuracy of pending bills and the overall integrity of financial reporting, contrary to the accounting officer's duty under Section 149 of the PFM Act.

Committee Recommendation

The Committee recommends that the County Governor takes administrative action against the accounting officer responsible for this delay and the steering committee must be fully constituted and operationalized immediately to ensure compliance with the transition roadmap and Regulation 9 of the PFM (County Governments) Regulations, 2015, which requires the use of prescribed financial manuals and procedures.

2. Non-Compliance with One Third Basic Salary Rule

Review of the staff payroll revealed that two hundred and twelve (212) employees were paid net salaries that were below one-third of their basic salaries. This was contrary to the provisions of Section 19(3) of Employment Act, 2007 which require the total amount of all deductions that may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of such wages.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

Management Response

The phasing out of IPPD SYSTEM in favor of Human Resource Information System by government came along with financial challenges for FY 2024/2025 as a result of drop in different cadres' allowances since the system is not with the third rule on salaries. County Management has taken corrective measures in collaboration with the system administer in State department of Public Service and Human Capital to align to the third rule.

Committee Observation

The Committee observed that the payment of net salaries below one-third of the basic salary for 212 employees is a contravention of Section 19(3) of the Employment Act, 2007. This exposes the employees to financial distress and is an indicator of weaknesses in the payroll management system.

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**

3. Non-compliance with Employment Requirements for Persons with Disability

Review of the master staff register revealed that out of a total of three thousand, six hundred and sixty-nine (3,669) employees, only fifty-one (51) employees, representing one percent (1%), were persons with disabilities. This was contrary to the provisions of Section 21(2)(a) of the Persons with Disabilities Act, 2025 which requires employers with twenty

(20) or more employees to ensure that at least 5% of their workforce consists of persons with disabilities.

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

Management Response

When recruiting new employees, the County has endeavored at every given opportunity to give consideration PLWD applicants

Committee Observation

The Committee observed that the county's employment rate of Persons with Disabilities (PWDs) at 1% is significantly below the constitutional threshold. This is a breach of Article 54(2) of the Constitution and Section 21(2)(a) of the Persons with Disabilities Act, 2025, which mandates that at least 5% of members of the public in elective and appointive bodies be persons with disabilities.

Committee Recommendation

The Committee recommends that the County Public Service Board must, within its mandate under Article 235 of the Constitution, develop and implement an affirmative action scheme, including targeted recruitment and accessible advertisement, to progressively realize the 5% constitutional requirement for PWDs.

4. Non- Establishment of the Trans-Nzoia County Alcoholic Drinks Control Fund

Review of own source revenue system generated reports, revealed that the county Management had realized total revenue of Kshs.543,894,663 out of which an amount of Kshs.8,651,000 was received from liquor revenue stream. However, despite the gazettelement of Trans-Nzoia County Alcoholic Drinks Control Act, 2018, the County Executive failed to establish the County Alcoholic Drinks Control Fund contrary to section

7(1) of the Trans-Nzoia County Alcoholic Drinks Control Act, 2018 which provides that there is established a fund to be known as the County Alcoholic Drinks Control Fund.

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

Management Response

The County Treasury has applied for the approval from the National treasury and the Controller of Budget to establish the County Alcoholic Drinks Control Fund.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observations

The Committee observed that the failure to establish the County Alcoholic Drinks Control Fund, despite collecting Kshs.8,651,000 from liquor revenue, is a direct violation of Section 7(1) of the Trans-Nzoia County Alcoholic Drinks Control Act, 2018. This is an act of unlawfulness by the county executive.

Committee Recommendation

The Committee recommends that the County Governor must expedite the establishment of the Fund in compliance with Section 7(1) of the Trans-Nzoia County Alcoholic Drinks Control Act, 2018 and provide a progress report to the Committee within ninety (90) days.

5. Non-Remittance of Public Procurement Capacity Building Levy

Review of documents revealed that Management did not deduct and remit the public procurement capacity building levy. This was contrary to Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023 which provides that there shall be paid a levy by a supplier and all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Absence of System-Based Controls and Configuration: Unlike established statutory deductions such as Withholding Tax and Retention, the IFMIS has not yet been configured to automatically flag, calculate, or deduct the 0.03% Capacity Building Levy.

Committee Observation

The Committee observed that the failure to deduct and remit the 0.03% procurement capacity building levy is a violation of Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023. The defense that the system was not configured does not absolve the county of its statutory obligation. This omission constitutes a financial loss to the national fund and a failure to contribute to the development of the procurement profession as mandated.

Committee Recommendation

The Committee recommends that-

- 1. The County Treasury must, with immediate effect, develop manual controls and protocols to ensure the deduction and remittance of the levy for all eligible contracts until the IFMIS system is configured, as required by Regulation 102 of the PFM (County Governments) Regulations, 2015 on financial records and automation.**
- 2. The County Government, through the Council of Governors, should petition the National Treasury for a comprehensive report on the administration and utilization of the Procurement Capacity Building Fund, as is its right under Article 35 of the Constitution on access to information.**

6. Lack of Climate Change Fund Steering Committee

Review of documents provided for audit revealed that the County Executive Management had not appointed a Trans Nzoia County Climate Change Fund Steering Committee. This was contrary to Section 18 of Trans Nzoia County Climate Change Fund Act, 2021 which states that the functions of the County Climate Change Fund Steering Committee shall include to—

- (a) oversee implementation of county climate change activities financed by the Fund. In the circumstances, Management was in breach of the law.

Management Response

Pursuant to the County Climate Change Fund Act, 2021 (section 17), the County established the County Climate Change Fund Steering Committee on 16th January 2023 that has been exercising its functions as per the Act.

Committee Observations

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.

7. Poor Road Maintenance at Mitei – Virginia Road – Kwanza/Keiyo Ward

During the year under review, the County Executive made payments totalling

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Kshs.5,254,730 to a local contractor for the routine maintenance of Mitei-Virginia in Kwanza/Keiyo Ward. The company was awarded the contract on 14 February, 2025. However, the Management failed to obtain the original performance bond for work not fully or well executed contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015. The work measurement sheet on the road works to be done was not provided hence it was difficult to estimate the volume of gravel required and the length, the width and the depth of the road to be done.

Physical inspection conducted on 13 June, 2025 revealed the following unsatisfactory matters contrary to the detailed bill of quantities used for the implementation of the routine maintenance works for Mitei-Virginia road:

The bill of quantities provided for gravel wearing course excavation, free haul, spread and compacting on a 6m width. However, physical inspection revealed that only 3.5m width for the entire stretch was done translating. Therefore, there was unaccounted for 2.5m width of the entire road which was not done hence leading to a possible loss of Kshs.1,942,500. Further, the bill of quantities provided for the planting of 1000 trees at a total sum of Kshs.120,000. However, physical inspection revealed that no trees were planted. The road cambers, side drains and mitre drains for easy drainage system were not done.

In the circumstances, the value for money on the expenditure incurred on the road maintenance works totaling Kshs.5,254,730 could not be confirmed.

Management Response

The maintenance scope for Meteitei-Virginia Road covered a total length of 3,500 meters, an average width of 5 meters, and a depth of 0.15 meters, resulting in a volume of 2,625m³. This corresponds to the quantities in the bill of quantities and the work measurement sheets. Therefore, the assertion of under-gravelling by 1,050m³ is inaccurate.

Challenges: Encroachment along the road reserve affected the available carriageway width. To address this, the department will engage in public sensitization and coordinate with the County Surveyor to demarcate road reserves for future works.

There was no financial loss. The executed works align with the contract specifications and are supported by documentation.

Committee Observations

The Committee noted that the substantive matter was satisfactorily addressed, and acknowledges the clarification provided regarding a typographical error in the report, which incorrectly cited 100 seedlings instead of the accurate figure of 1,000

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

8. Poor Road Maintenance Kisawahi – Chekui – Mima Junction Road

During the year under review, the County Executive made payments totaling to Kshs.3,591,000 to a local Contractor for the routine maintenance of Kisawahi-Chekui-Mima Junction in Kinyoro Ward. The company was awarded the contract on 3 January, 2025.

Physical inspection conducted on 16 June, 2025 revealed that, although the bills of quantities provided for gravel wearing course extraction, free haul, spread and compact at a width of 6m, only 3.5m width for the entire stretch was done. Therefore, there was unaccounted for 2.5m width of the entire road hence resulting to possible financial loss of Kshs.1,051,200. Further, the bills of quantities provided for the planting of 250 trees of a total of Kshs.75,000 but no trees were planted. The road cambers, side drains, spot checks and mitre drains for easy drainage were not done.

In the circumstances, the value for money on the expenditure incurred on the road maintenance works totaling to Kshs.3,591,000 could not be confirmed.

Management Response

The scope of works covered a road length of 2,100 meters with an average width of 4.5 meters and a depth of 0.15 meters, resulting in a total gravel volume of 1,400m³. This matches the project's bill of quantities and measurement records. Hence, the claim of under-delivery by 584m³ is inaccurate

Tree Planting: A total of 250 tree seedlings were delivered as per the BoQ and received at the Roads and Infrastructure yard (S13 issued). Due to dry weather conditions, planting was postponed. The seedlings will be planted at identified sites once favorable weather prevail.

Committee Observation

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Committee noted that while the road maintenance works were confirmed to be satisfactory, the planting of trees had not yet been carried out.

Committee Recommendation

The Committee recommends that the management should ensure proper contract management and comply with section 149. (1) of the Public Finance Management Act, 2012

9. Delayed Completion of Kenyatta Stadium Rehabilitation and Modernization Phase 1A

Review of procurement documents provided for audit revealed that the Department of Gender contracted for proposed rehabilitation and modernization of Kenyatta stadium phase 1A–Kitale at a cost of Kshs.657,305,895 on 1 February, 2023 for a period of six hundred and forty (640) days. The amount already paid to the contractor as at 30 June, 2025 was Kshs.425,307,880 (65%). The provided performance bond expired on 31 January, 2025 and had not been renewed as at the time of audit.

The rehabilitation and modernization works are still ongoing despite the expiry of the contract period. No evidence of request for variation or extension of the contract period was provided for audit.

Physical inspection on 12 June, 2025 revealed that works were ongoing. However, there was a dispute on the boundary beacons which was yet to be resolved and unauthorized occupation had taken place.

In the circumstances, the value for money on expenditure incurred on the rehabilitation and modernization of the stadium project has not yet been realized.

Management Response

The contract for the Rehabilitation and Modernization of Kenyatta Stadium – Phase 1A was awarded on 1st February 2023 at a contract sum of Kshs. 657,305,895 for a duration of 730 days, initially set to end on 28th February 2025. The project is 67% complete.

An Extension of Time (EOT) was granted on 16th December 2025 and revised completion date as 1st November 2025 to 28th February 2026. The contractor accordingly renewed the performance bond expiring 28th February 2026 (performance bond no. OLG/PB/12/47727/01).

A section of the stadium that was recovered but disputed in court. The matter is pending

in court, however, beacons on undisputed areas have been placed and contractor instructed to proceed with cons

Committee Observations

The Committee observed that

1. The rehabilitation of Kenyatta Stadium, a project valued at Kshs. 657 million, continues to face significant delays. These have necessitated a contract extension to February 2026, raising concerns about cost efficiency and value for money.
2. The Committee noted that despite the extended timeline, the physical progress on the project remains slow, having moved only from 67% to 72% completion. This incremental pace is unsatisfactory given the project's value and public interest.
3. The persistent external challenges, namely boundary disputes and illegal occupation of project land, are major impediments to progress. These issues, which fall under the county's responsibility to resolve, are causing avoidable delays and increasing project delay.
4. The Committee observed that the causes of delay are attributed to both the contractor and the county's initial late site handover. While the county has provided documentation for contract extensions and renewed performance bonds, the full financial implications of these delays including potential claims for time extensions or cost overruns are still being assessed, creating fiscal uncertainty.

Committee Recommendation

The Committee recommends that-

1. **The County Executive to expedite the resolution of all land-related issues, including boundary disputes and illegal occupation, as a matter of utmost urgency to provide the contractor with an unimpeded site and prevent further costly delays.**
2. **The County Executive to ensure robust project management and oversight to drive the works to completion. The County Management must provide a clear, time-bound action plan to the Committee detailing how it will achieve the finalization of the stadium's modernization by the revised deadline of February 2026.**
3. **The County Executive to conclusively assess and formally report on the financial implications of the delays, clarifying any liabilities and ensuring no unjustified additional costs are passed to the county government.**
4. **The County Executive to ensure accountability and value for public funds, the Office of the Auditor-General is directed to maintain continuous audit oversight of the Kenyatta Stadium rehabilitation project through to its final completion**

PAPERS LA.	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

and handover, with particular scrutiny on the financial impact of delays, the legitimacy of any cost variations, and the safeguarding of the contractor's performance bond.

10. Stalled Construction of Multi-Story Business Complex

As reported in the previous years, the County Executive awarded a contract for proposed construction of multi-story business complex at a contract sum of Kshs.874,280,383 to a local contractor on 25 June, 2018 for a contract period of seven hundred and thirty-one (731) days and expected completion date of 10 June, 2021. The project's completion has delayed for over four (4) years from the initial expected date of completion. The contractor had requested for extension of contract period seven times but no approvals were granted. Further, a memorandum of understanding on the co-funding between the Municipality and Ministry of Trade, and ownership documents in the form of land title deeds or allotment letters were not provided for audit review.

Physical inspection carried out on 17 June, 2025 revealed that the contractor was not on site and enquiry from the clerk of works indicated that the project had stalled at 92% since August, 2024. The total amount of money paid to date according to summary of payment including the most recent certificate paid on 4 February, 2025 was Kshs.818,183,930.

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

Management Response

Requests for extension of contract period by the contractor have previously been approved. It is noted that the continued presence of the contractor on the site is untenable, considering the length of time the project has taken to be completed. In this respect, the last request for extension of time by the contractor dated 16th October, 2025 was declined.

The contractor abandoned site in 2024 and the contract has since come to an end at 95% completion.

The contractor took the County for arbitration proceedings owing to alleged contractual claims by the Contractor; hence works have stalled awaiting the outcome of the arbitration proceedings.

The County Government commit to complete, allocate and operationalize the market by 31st march 2026.

Committee Observations

Committee observed that; -

1. The Committee observed severe governance lapses that contravene fundamental principles of public finance. The absence of land ownership documents (title deed or allotment letter) for a project of this magnitude is a violation of Regulation 136 of the PFM (County Governments) Regulations, 2015, which requires the accounting officer to maintain a register of assets, including proof of ownership.
2. Further, proceeding with a project valued at Kshs.874 million without clear title exposes public funds to significant legal and financial risk, contrary to the accounting officer's duty under Section 153 of the PFM Act to manage assets in a way that ensures value for money.

Committee Recommendation

The Committee recommends that-

1. **The County Governor must provide evidence of legitimate land ownership for the complex site to the Committee and the Auditor-General before any further funds are committed to this project, as required by Regulation 136(2) of the PFM (County Governments) Regulations, 2015.**
2. **The Office of the Auditor-General is directed to conduct a special audit under Article 229(5) of the Constitution to investigate the entire history of the project, with a focus on the justification of payments and the circumstances leading to its stalling, and to quantify any potential loss of public funds.**
3. **The County Governor must submit a detailed statement of all contingent liabilities related to this project, including potential contractor claims, to the National Treasury for assessment under the debt management framework established by Section 141 of the PFM Act.**

11. Delayed Completion of Construction of County Aggregation and Industrial Park at Namandala

Review of records revealed that the County Executive awarded the tender for

PAPERS LAI	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

construction of the County Aggregation and Industrial Park at Namandala at a contract sum of Kshs.499,166,766 during the financial year 2023/2024. The contract commenced on 1 September, 2023 with expected completion date of 1 March, 2025 has been paid a total of Kshs.164,420,562 to date. However, examination of the tender and project files revealed that there was no land title deed for the 100-acre piece of land at Namandala in Kwanza Sub-County.

Further, a physical inspection carried out on 17 June, 2025 revealed that the project had stalled and the contractor was not on site, however management confirmation dated 5 December, 2025 indicated that the contractor was back on site and that the incomplete works were ongoing.

In the circumstances, the value for money on the expenditure incurred on the project and the ownership of the land could not be confirmed.

Management Response

The contractor is on site and the works are on course as the ablution block is complete, power house is complete, pump house is complete and all the substructure /pillar for the four-value addition Centre have been erected.

Efforts to regularize and transfer ownership of the land to the County Government continued in the year through engagements with the Agricultural Development Corporation that ceded the land for the Export Processing Zones Authority.

Committee Observations

The Committee observed that-

1. The County Aggregation and Industrial Park warehouses project has been stalled due to unresolved land ownership disputes. The fundamental absence of title deeds for the project site undermines its legal basis, prevents proper asset classification, and poses a severe risk of future litigation and asset forfeiture, rendering all current expenditures potentially wasteful.
2. While fabrication works continue offsite, the overall project execution is inefficient and disjointed. Progress is constrained by seasonal weather due to the unresolved site issue, and the project's design raises serious questions. Its narrow focus on constructing superstructures without the concurrent procurement of essential operational equipment calls into question its functionality and immediate value to the public.
3. Significant lack of strategic coherence, as the project appears to duplicate functions

and objectives of other existing county initiatives. This overlap suggests poor program design, potential wastage of resources, and a failure to conduct a comprehensive needs assessment to ensure complementary rather than competing investments.

Committee Recommendation

The Committee recommends that-

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

12. Stalled Construction of Operating Theatre at Matunda Sub-County Hospital

Review of records revealed that a local contractor was awarded the contract to construct an operating theater at Matunda Sub County Hospital at a contract sum of Kshs.7,995,030 on 2 April, 2024. By the time of audit, the contractor had been paid a total of Kshs.4,587,620 or 57% of the contract sum. Physical inspection carried out on 18 June, 2025 revealed that the construction was incomplete and works had stalled. Further, the contractor was not on site and no explanation has been given for the delay in completing the project.

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

Management Response

The Management acknowledges the concern raised and measures have been put in place to complete and operationalize the theatre. The remaining works have been quantified and included in the FY 2025/2026 budget.

Committee Observation

The Committee observes with profound concern that the construction of the critical operating theatre at Matunda Sub-County Hospital, awarded in April 2024 for Kshs. 7,995,030, has stalled completely after 57% of the contract sum (Kshs. 4,587,620) was paid. With the contractor absent from the site and no explanation provided for the delay, this expenditure represents a significant risk to public funds, and the county administration has failed to demonstrate value for money for the substantial payments already made.

Committee Recommendations

- 1. The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance Management Act and the Public Finance Management (County Government) Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.**
- 2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**

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

13. Unutilized Alakara Health Facility

Review of documents revealed that a local contractor was awarded the contract to construct a maternity wing at Alakara health facility at a contract sum of Kshs.2,949,996 which was completed in June, 2024. However, physical inspection carried out on 18 June, 2025 revealed that the facility remained unutilized, one (1) year after completion. The facility was not fenced and there is risk of vandalism where two (2) water sinks outside the facility and nine (9) curtain rods had been vandalized. No proper explanation was provided by the Management as to why the maternity wing has remained unutilized since completion.

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

Management Response

The facility is now fenced, a sentry house and gate provided.

The facility was set to be operationalized within this financial year after recruitment of additional staff. Unfortunately, a case was filed in court barring deployment of the newly recruited staff making it difficult to open the facility. The management is committed to ensure its operationalization to serve the anticipated populace.

The community after public participation changed the facility name to Kimila Dispensary.

Committee Observation

The Committee observed that facility is set to operationalize once court case is concluded.

Committee Recommendation

The Committee recommends that-

1. **The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance Management Act and the Public Finance Management (County Government)**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.

2. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.
3. The Auditor General should continue monitoring the issue in subsequent financial years.

14. Stalled Construction of Wamalwa Kijana Teaching and Referral Hospital

As previously reported under the County Government awarded the contract to construct the Trans Nzoia Teaching and Referral Hospital to a construction firm at a contract sum of Kshs.1,602,528,713. The contract was to be implemented in two (2) phases, with estimated completion period of Phase 1 – fifty-two (52) weeks and Phase 2 – sixty-two

(62) weeks. The 350-bed facility was aimed at providing specialized medical to the public. According to the records provided for audit review, Phase 1 of the project was completed on 23 July, 2016.

Phase 2 of the project commenced on 15 December, 2018 with projected completion date of 30 September, 2020. However, as at 30 June, 2025, the project was incomplete and was approximated at 70% completion level even though Kshs.1,640,000,000 (Approx. 102% of the contract amount) had been paid. The contractor was not on site and had abandoned the project without attending to the snag list of pending works. Further, the Hospital was in use with partial completion certificate. The Management has been undertaking piecemeal construction of the Hospital in various departments and a total of Kshs.9,659,016 was utilized in the financial year 2024/2025.

In the circumstances, the value for money on the expenditure of Kshs.1,640,000,000 incurred on the project could not be confirmed.

Management Response

Management noted that this query appeared in the audit report for the year ended June 2024 and was responded to adequately.

Committee Observations

The Committee observe that-

1. The Trans-Nzoia Teaching and Referral Hospital project, valued at Kshs. 1.6 billion, has been abandoned by the contractor at approximately 70% physical completion, leaving the facility only partially operational and a substantial snag list of defects unaddressed, thereby jeopardizing public health service delivery and safety.
2. The Committee notes a severe and alarming financial irregularity whereby payments made to the contractor appear to exceed 100% of the initial contract value. This constitutes a fundamental breach of public finance management principles, represents a massive potential loss of public funds, and raises serious questions of fraud, negligence, or gross mismanagement in project supervision and payment certification.

Committee Recommendation

The Committee recommends that-

1. **EACC to Prioritize and finalize the investigation into the hospital project's overpayments and contractor abandonment. The County to submit a formal, detailed status report within 90 days, outlining findings, persons of interest, and the intended legal and asset recovery plan.**
2. **The County Government in consultation with national government agencies to develop a contingency completion plan and submit a realistic, costed plan for the completion of the remaining 30% of works and rectification of defects. This plan must be contingent upon the findings of the EACC and OAG investigations to avoid further misuse of funds**
3. **The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance Management Act and the Public Finance Management (County Government) Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.**
4. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
5. **The Auditor General should continue monitoring the issue in subsequent financial years.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Basis for Conclusion

1. Inefficiencies in Revenue Automation System

1.1 Incomplete Installation of the System

Review of records revealed that Management entered into a contract with a vendor on 21 December, 2023 for the provision of delivery, development, installation, deployment, testing and maintenance of a fully automated and integrated County revenue collection and debt management system at a contract sum of Kshs.26,968,080 with an annual recurring cost of Kshs.7,756,640.

Review of the revenue collection management system revealed that, though the contract sum was fully paid, the unstructured modules such as agricultural cess, royalties and public health had not been configured and automated in line with the contract agreement hence possibility of loss of revenue from the modules and payment for undelivered works or services. Further, it was established that there were delays in configuration and automation of the revenue streams such as approval of building plans, building approval fees, house rent, land rates hence possibility of non-optimization of revenue collection hence leading to under collection of revenues during the year.

In addition, the system was not linked to the IFMIS system, instead excel manual preparation of the revenue streams collection is used in posting of data to IFMIS.

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

Management Response

The automation and configuration of the unstructured revenue modules: agricultural Cess, royalties, and public health charges, was occasioned by the alignment to the County's evolving revenue policies and legal frameworks. The revenue modules were aligned to the policy and legal frameworks, fully automated and operationalized.

The delays in automaton of the Building plan approval, house rent and land rates revenue streams were occasioned by data validation challenges, legacy records migration, and interdepartmental coordination requirements. The revenue Streams have since been Automated and operationalized

The County revenue collection system has API provision to allow for integration with other systems

Committee Observations

The Committee observed that Trans-Nzoia County has successfully implemented a fully automated, end-to-end system for revenue collection and debt management, with the outstanding challenge being the technical integration of this platform with the national IFMIS a linkage currently constrained by necessary central government security protocols.

Committee Recommendation

The Committee recommends that management ensures the full completion of the construction, installation, and deployment of the fully automated revenue collection and debt management system, in compliance with Section 157(2) of the Public Finance Management Act, 2012.

1.2 Lack of Back-End Visibility

The County Management did not have access or visibility into back-end processes, stored data or database contents except as the vendor permitted. The Management could not independently query or verify back-end records nor could it audit user actions inside the database.

Management Response

The back-end visibility and access of the system processes has been in place throughout the system implementation. The system administration and visibility was layered depending on the administrative roles in the system

Committee Observations

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.

1.3 Absence of Change Management and System Control

During the audit, it was established that the vendor introduces system changes without notifying or obtaining formal approval from the County Management. The County did not have view of changes without access to database logs. There was no evidence of a formal change control, testing of changes, or documented approvals prior to production

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

or deployment. No formal change management process, policy or review procedures were in place.

Management Response

The System changes requests are done by the director revenue through written request.

The County Management has developed a change request form to keep track and record of change requests and implementation.

Committee Observations

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.

1.4 Lack of Independent Review and Sign-off of System and Database Logs

During the audit it was established that while system and database logs were generated and captured within the revenue collection system, they were not subjected to independent County Management review, validation, or formal sign-off. Logs remained under vendor administration, and the County Management did not actively analyze or verify them. In addition, there was no established log review policy, defined schedule, or documented retention procedures. As a result, although the logs exist, they provided no assurance, since potential anomalies or unauthorized actions may remain undetected.

This failure to demonstrate effective monitoring and maintain verifiable audit trails risks breaching legal and regulatory obligations, as such logs serve as critical evidence of transactional integrity.

Management Response

County Management is in the process of system capacity building for a database handover.

Committee Observations

Committee observed management failed to initiate proper controls on sign offs and database logs.

Committee Recommendation

Committee recommends management to conduct independent review, validation, or formal sign-off in compliance with Section 25 Kenya Data Protection Act, 2019

1.5 Lack of Approved Business Continuity Policy and Disaster Recovery Plan

The County Government operated without an approved and formally adopted Business Continuity Policy and ICT Disaster Recovery Plan (DRP). The document provided as the County's DRP was found to be inconsistent, contradictory, and unreliable. Specifically, the document's front page bore a copyright year of 2019, while the last page contained two (2) official stamps, one "Checked by ICT Manager" and the other "Authorized by the Chief Officer – Governance," both dated 2018. The existence of contradictory dates indicates that the document was neither formally approved nor properly version-controlled.

In the circumstances, the effectiveness of the internal controls on the system could not be confirmed. Further, the County continues to operate without a valid, tested or approved Business Continuity and Disaster Recovery framework, leaving its critical ICT infrastructure and service delivery processes exposed to paralysis in the event of system failures, cyber incidents, or physical disasters.

Management Response

The County Management has developed a Business Continuity and ICT disaster recovery plan 2025 to address gaps noted and ensure the County has a comprehensive guide on how to deal with and address risks associated with various disasters affecting ICT systems, networks and Software used by the County.

Committee Observations

The Committee observed that operating without an approved and formally adopted Business Continuity Policy and ICT Disaster Recovery Plan is a critical failure in risk management. This exposes the county's financial and operational data to potential paralysis in the event of a disaster, which is a direct violation of the accounting officer's duty under Section 153 of the PFM Act to ensure the existence of proper control systems for assets, including digital assets. The contradictory dates on the purported DRP document indicate a lack of proper document control and formal approval.

Committee Recommendation

PAPERS L	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Committee recommends that the County Executive must develop, formally adopt, and approve a comprehensive Business Continuity Policy and ICT Disaster Recovery Plan within ninety (90) days, in compliance with Section 4.3.5 of the ICT Authority (ICTA) Standards for Management and Governance of ICT (2016) and the principles of risk management outlined in Regulation 158 of the PFM (County Governments) Regulations, 2015.

2. Lack of a Data Centre and Physical and Environmental Controls Over Core ICT Infrastructure

The County Government did not operate or maintain a Data Centre (DC) for hosting its core ICT infrastructure. Consequently, physical and environmental controls could not be conducted as required, since no designated or controlled facility existed to safeguard critical ICT equipment, including servers, networking devices, and data storage units that support the County's financial and administrative systems.

Despite the County's acquisition of essential ICT assets for system operations, these were found to be hosted in unsecured, non-compliant environments lacking basic safeguards such as fire suppression systems, controlled access, humidity and temperature regulation, backup power, CCTV surveillance, or disaster recovery mechanisms.

In the circumstances, the County continues to operate without a valid, tested or approved Business Continuity and Disaster Recovery framework, leaving its critical ICT infrastructure and service delivery processes exposed to paralysis in the event of system failures, cyber incidents, or physical disasters.

Management Response

A designated Data Centre (Server room) set in the just occupied new county headquarters with the prescribed physical and environmental controls. Processes in place to have the ICT infrastructure environmental control gaps address in the 2026/2027 budget cycle.

Committee Observations

Committee observed that the county allocation of the office space register did not indicate office space for a data center.

Committee Recommendation

Committee recommends management to establish a secure data center in compliance with According to the ICT Authority (ICTA) Standards for the Management and Governance of ICT (2016

3. Inadequate Controls on Collection of Revenue from Cess

During the year under review, the County Government generated an amount of Kshs.55,962,288 from cess revenue stream under the Department of Trade, Commerce and Industry. However, Management failed to provide records to account for revenue collected from sand, ballast and murram. Further, it was established that collection of revenue for pick-ups and tractors was not effectively enforced despite these vehicles being the major carriers of the products. Random spot checks made in different cess points, revealed that there were numerous pick-ups and tractors transporting materials without paying for the required permits.

In the circumstances, the effectiveness of the internal controls on collection of revenue from cess employed by Management could not be confirmed.

Management Response

The management confirms that the records to account for revenues collected from sand, ballast and murram were provided during the audit in the system generated reports. cess revenue was being collected from tractors and pick-ups

Committee Observations

The Committee observed that the failure to enforce collection of cess from pick-ups and tractors, and the inability to provide records for revenue from sand, ballast, and murram, is a failure of internal controls. This directly contravenes Regulation 63(1)(a) of the PFM (County Governments) Regulations, 2015, which requires an accounting officer and receiver of revenue to ensure adequate safeguards exist for the prompt collection and proper accounting of all county government revenue.

Committee Recommendation

The Committee recommends that the County Executive must immediately seal all revenue collection loopholes. The Receiver of Revenue must enforce compliance for all vehicles, and a comprehensive register of all cess points and revenue streams must be

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

maintained and reconciled daily, as mandated by Regulation 62 of the PFM (County Governments) Regulations, 2015.

4. Inadequate Controls on Collection of Revenue from Parking Fees

Review of revenue records and revenue system data revealed that the County collected an amount of Kshs.59,641,650 from street parking under Department of Finance. However, physical inspection conducted on 19 June, 2025 revealed that the parking slots were not labelled or well demarcated, the parking slots were not numbered and there was poor planning of the town specifically on parking slots. Further, Management did not maintain a register of the parking slots available within the Municipality, which gives an indication of the in-effectiveness of collection of revenue from both street parking and bus parking.

In the circumstances, the effectiveness of the internal controls on collection of revenue from parking fees employed by Management could not be confirmed.

Management Response

The register of the parking slots is maintained by Revenue section according to streets by head of stream for parking to enhance his supervision and monitoring.

Committee Observation

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

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

1. Inaccuracies in Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.25,837,638 as disclosed in Note 13 to the financial statements.

However, review of the revenue statements for Receiver of Revenue reflected total receivables balance of Kshs.12,473,388,784 resulting in an unreconciled variance of Kshs.12,447,529,106.

In the circumstances, the accuracy and completeness of the reported revenue amounts for these streams could not be confirmed.

Management Response

The variance of Kshs 12,447,529,106 is a result of the onboarding the amounts of the historical receivables of Kshs. 12,473,388,784 brought forward from the LAIFORM system inherited from the defunct local authority in the financial year under review. These receivables do not relate to the financial year under review.

Committee

Observation

The Committee observed a gross failure in financial reporting. The failure to accurately record and disclose historical receivables of over Kshs.12.4 billion from the defunct local authority results in a material misstatement of the county's financial position. This is a violation of Regulation 83(2)(f) of the PFM (County Governments) Regulations, 2015, which requires the accounting officer to ensure the completeness of financial records. While these are historical, their omission from note disclosures renders the financial statements incomplete and misleading.

Committee

Recommendations

The Committee recommends that:

- 1. The County must, in the financial statements for FY 2025/2026, fully restate these historical receivables and payables, providing a detailed note on their nature and age, in compliance with the accounting standards set by PSASB under Section 194**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

of the PFM Act.

2. The County Treasury must conduct regular reconciliations of these legacy balances and develop a clear strategy for their recovery or write-off, following the procedures for handling losses and irrecoverable revenue as per Regulations 142 and 150 of the PFM (County Governments) Regulations, 2015.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounting to Kshs.10,455,020,040 and Kshs.9,340,218,429 respectively resulting of underfunding of Kshs.1,114,801,611 or 11% of the budget.

Further, the Fund received domestic and foreign grants amount of Kshs.1,210,839,016 or 74% of budgeted funds resulting in underfunding of Kshs.423,594,307 or 26% of the budget. The underfunding in the budget may have affected service delivery of services to the residents of the County.

Management Response

This underfunding was caused by factors beyond our control. The underfunding was caused by some development partners who did not remit funds as per the budget and under collection of Own sources.

Committee Observation

Committee observed that the County Revenue Fund faced a significant financial performance gap of 26% arising from shortfalls in internal revenue systems and donor coordination.

Committee Recommendations

The Committee therefore recommends that:

1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with

Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and

2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.

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

REPORT ON THE REVENUE STATEMENTS

Basis for Qualified Opinion

1. Unsupported Revenue from Market Fees

The statement of revenue and disbursements reflects market fees amounting to Kshs.21,094,770 as disclosed in Note 14 to the revenue statements. However, the amount indicated was not supported by a detailed ledger analysis.

In the circumstances, the accuracy and completeness of the statement of revenue and disbursements could not be confirmed.

Management Response

The detailed supporting schedules for market fees totaling KES. 21,094,770 have been provided for audit review and verification.

Committee Observation

The Committee noted that while the matter was subsequently resolved, the initial failure to have a designated substantive Receiver of Revenue at the time of the audit was a breach of Section 157(1) of the Public Finance Management Act, 2012. This lapse created a vacuum of accountability for the collection and accounting of county revenue.

Committee Recommendation

The Committee recommends that the County Executive Committee member for finance must ensure that a substantive Receiver of Revenue is always in place, with a formal letter of designation that clearly specifies their responsibilities and the revenue streams under their purview, in accordance with Section 157(1) of the PFM Act, 2012.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

2. Long Outstanding Land Rates Arrears

The statement of financial position reflects receivables for non-exchange transaction of Kshs.12,464,168,394 as disclosed in Note 25 to the revenue statements. The balance is in respect of long outstanding land rates arrears which have remained outstanding for a period of more than three (3) years while Management did not demonstrate efforts being taken to recover the debts.

In the circumstances, the recoverability of the land rates arrears balance of Kshs.12,464,168,394 could not be confirmed.

Management Response

The long Outstanding Land Rates arrears is in respect of receivables from non-exchange transaction of Kshs.12,464,168,394 which is an amount of the historical receivables brought forward from the LAIFORM system inherited from the defunct local authority

So far, the County has made efforts through issuance of demand notice to taxpayers, valuation roll and rating Act.

Committee Observation

Committee noted the strategies put in place by the county government to recover the arrears.

Committee Recommendation

The Committee recommends that County to comply with Regulation 83(2) of the Public Finance Management (County Government), 2015 and apply strategies the county government has put in place to increase own source revenue.

3. Inaccuracies in Payables - Due to County Revenue Fund

The statement of financial position reflects payables due to County Revenue Fund (CRF) balance of Kshs.12,473,366,764 as disclosed in Note 27 to the financial statements. However, the statement of financial position in the CRF financial statements reflects receivables from non-exchange transactions balance of Kshs.25,837,658 as disclosed in Note 16 to the financial statements resulting in an unreconciled variance of Kshs.12,447,529,106.

In the circumstances, the accuracy and completeness of the payables due to CRF balance

of Kshs. 12,473,366,764 could not be confirmed.

Management Response

The variance of Kshs 12,447,529,106 is a result of the onboarding the amounts of the historical receivables of Kshs. 12,473,388,784 brought forward from the LAIFORM system inherited from the defunct local authority in the financial year under review. These receivables do not relate to the financial year under review.

The CRORs will be restated in the current financial FY 2025-2026 and the historical payable to CRF shall be recorded as a disclosure

Committee Observation

Committee observed that the management failed to include the correct balances on receivables in the financial statements.

Committee Recommendations

The Committee recommends that-

1. **The County should ensure that all receivables, including historical balances, are accurately recorded and disclosed in the financial statements and regular reconciliations should be conducted to avoid discrepancies.**
2. **The County should provide a list of the owed parties and allocate funds to clear the debts.**

Emphasis of Matter

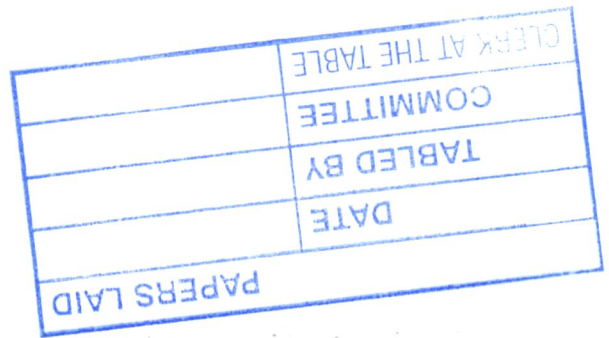
Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounting to Kshs. 680,000,000 and Kshs. 543,894,663 respectively resulting to under realization of Kshs. 136,105,337 or 20% of the budget.

The under-realization of the budget may have affected service delivery to the residents of the County.

Management Response

The revenue realized amounting KES.543,894,663 is the highest ever revenue collection realized since inception of County Government (Figure: 1 Revenue collection trend. However, as observed the county still has potential in terms of revenue collection.



Committee Observation

Committee notes that the County has not realized its full potential on own source revenue collection.

Committee Recommendations

The Committee therefore recommends that:

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

Failure to Appoint Substantive Receiver of Revenue

Review of records revealed that the County Executive Member for finance had not designated an officer to be the substantive Receiver of Revenue responsible for collecting, receiving and accounting for revenue. This was contrary to Section 157(1) of Public Finance Management Act, 2012 which states that the County Executive Committee member for finance shall, in writing, designate persons to be responsible for collecting, receiving and accounting for such county government revenue as the County Executive Committee member for finance may specify in their letters of designation.

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

Management Response

The CECM Finance and Economic Planning appointed a substantive Receiver of Revenue
Appendix 3: Appointment letters

Committee Observations

The Committee observed that while the relevant documents were not provided to the Auditor during the initial audit process, they were subsequently availed at a later stage.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

1. Late Disbursements to the County Revenue Fund

Review of revenue records revealed that there was a delay to pay promptly the revenue into the County Revenue Fund beyond the stipulated five (5) working days. Further, a balance of Kshs. 2,199,945 which was collected but held in the revenue collection account and was not remitted to County Revenue Fund as at the close of the financial year. This was contrary to Regulation 81(2) of The Public Finance Management Act (County Governments), 2015 which 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.

In the circumstances Management was in breach of the law.

Management Response

The revenue collection accounts held at Equity and Kenya Commercial Bank were issued with the standing orders with clear instructions to swipe all the monies collected within a week to the County Revenue Fund (CRF).

Committee Observation

The Committee observed that holding Kshs.2,199,945 in the revenue collection account at the close of the financial year is a direct contravention of Regulation 81(2) of the PFM (County Governments) Regulations, 2015, which mandates that revenue must be paid into the County Revenue Fund within five (5) working days of receipt. This practice increases the risk of misappropriation and misstatement of cash balances.

Committee Recommendations

The Committee recommends that:

- 1. The County Treasury must provide documented proof of standing orders for the automated daily sweep of funds from collection accounts to the County Revenue Fund to the Office of the Auditor-General and EACC.**
- 2. The accounting officer must take disciplinary action against any revenue officer found to have delayed remittance, as this constitutes financial misconduct under Section 197(p) of the PFM Act, 2012.**

2. Failure to Prepare Quarterly Financial Reports

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

During the year under review, it was established that quarterly financial reports were not prepared by the Receiver of Revenue. This was contrary to Section 155(3) of the Public Finance Management Act, 2012 which provides that a Receiver of Revenue for a County Government shall provide quarterly statements to the County Treasury with copies to the National Treasury and the Commission on Revenue Allocation.

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

Management Response

We acknowledge the findings and the management has prepared the reports promptly in the subsequent periods.

Committee Observations

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.

3. Failure to Update the Valuation Roll

Review of documents provided for audit revealed that the Receiver of Revenue used a valuation roll prepared in the year 2006 and therefore not updated. This was contrary to the requirements of Section 5(1) of the Trans Nzoia Valuation and Rating Act, 2024 which requires the entity to prepare a valuation roll at least once every ten years.

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

Management Response

The valuation rolls and Rating Act was availed to the auditors for audit review and verification.

Committee Observation

The Committee observed that reliance on a valuation roll from 2006 is a fundamental breach of Section 5(1) of the Trans Nzoia Valuation and Rating Act, 2024, which requires a roll to be prepared at least once every ten years. This directly undermines the county's ability to maximize its own-source revenue, as outdated valuations do not reflect current market values, contravening the principle of equitable and efficient revenue-raising under Article 209 of the Constitution.

Committee Recommendation

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Inefficiencies in Revenue Automation System

Review of the revenue collection management system revealed significant weaknesses where unstructured modules such as agricultural cess, royalties and public health had not been configured and automated in line with the contract agreement hence possibility of loss of revenue from the modules and payment for undelivered works or services.

Further, there were delays in configuration and automation of the revenue streams such as approval of building plans, building approval fees, house rent, land rates hence possibility of non - optimization of revenue collection hence leading to under - collection of revenues during the year.

In addition, the system was not linked to the IFMIS system, instead excel manual preparation of the revenue streams collection is used in posting of data to IFMIS.

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

Management Response

All streams are fully automated in the system

Committee Observations

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. Lack of a Revenue Management Board

During the audit it was established that the County had not constituted a Revenue

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Board (RMB) as required by law. Instead, revenue administration is being handled by the revenue department domiciled within the County Treasury. While this department undertakes operational responsibilities, it does not carry the legal mandate, independence, or governance authority that the RMB is designated to provide. This results in a governance vacuum where critical oversight, system control, and revenue accountability functions are either informally executed or left entirely unchecked, undermining compliance with statutory requirements.

In the circumstances, the effectiveness of the Receiver of Revenue to efficiently manage collection of revenue could not be confirmed.

Management Response

The Trans Nzoia County Revenue Administration and Management Bill, 2026 is ready to be presented to the County Assembly for approval.

Committee Observations

The Committee observed that the absence of a legally constituted Revenue Management Board (RMB) creates a governance vacuum, undermining the independent oversight required for effective revenue administration. This is not in compliance with the best-practice governance structures anticipated by the PFM framework, which promotes institutional separation of duties for checks and balances, as per the principles of Article 10(2)(c) of the Constitution on good governance, transparency, and accountability.

Committee Recommendation

The Committee recommends that the County Executive must expedite the legislative process for the Trans Nzoia County Revenue Administration and Management Bill, 2026, and ensure the RMB is constituted without further delay, to provide the strategic oversight and independence required for optimal revenue collection.

CHAPTER NINE

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

The Governor of Bomet County Executive Hon Prof. Hillary Barchok appeared before the Committee on Friday 6th February 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 Bomet County for the Financial Year 2024/2025

Basis for Qualified Opinion

1. Unsupported Opening Balances

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

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

Management Response

Hon Chair, the observation on the opening balances were presented in a format as prescribed by IPSAS 33 and the National Treasury circular No 12 of 2025 after verification had been done by an ad hoc transition committee. We have in place a cash to accrual technical committee and steering committee that has been able to verify and report on the opening balances which has been availed for audit verification.

Committee Observations

1. The Committee observes that the County Executive failed to comply with Section 62(1)(b) of the Public Audit Act, 2015, which mandates that the Accounting Officer shall provide the Auditor-General with full access to all records, documents, and information necessary for the audit.
2. The absence of a Transition Project Co-ordination Committee report to support the opening balances, as required by the National Treasury Circular No. 12 of 2025 on the

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Transition from Cash to Accrual Accounting, constitutes a breach of this statutory duty. This non-compliance undermined the audit process and contravenes the principle of accountability enshrined in Article 201 of the Constitution.

Committee Recommendations

- 1. The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act and provides a status report to the Auditor General within ninety (90) days from the adoption of this report;**
- 2. A progress report on the administrative action taken and a complete Transition Project Co-ordination Committee report, duly verified by the County Steering Committee, shall be submitted to the Office of the Auditor-General (OAG) and the Senate within ninety (90) days of the adoption of this report.**

2. Inaccuracy of Employee Costs

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

In the circumstances, the accuracy and completeness of the employee costs amounting to Kshs.3,500,681,042 could not be confirmed.

Management Response

Hon Chair, the amounts reported in the statement of financial performance were justified by reconciliation of payroll data and payments made and as per the notes to the financial statement.

A reconciliation of payroll data and the schedules have been carried out and has been availed for audit verification.

Committee Observation

The Committee notes that the failure to provide monthly payroll reconciliations as required by Regulation 120 of the PFM (County Governments) Regulations, 2015—which mandates the accounting officer to certify the correctness of the payroll—represents a significant internal control weakness. The absence of these reconciliations and the unexplained variance of Kshs.14,503,520 indicate a failure to maintain an effective, efficient, and transparent system of financial management as mandated by Article 201(d) of the Constitution.

Committee Recommendations

- 1. The Committee recommends that the County Governor ensure the County Executive conducts a comprehensive payroll audit and reconciliation for the Financial Year 2024/2025.**
- 2. This reconciliation must be verified by the County Head of Internal Audit, as per Regulation 156 of the PFM (County Governments) Regulations, 2015, and submitted to the OAG and the Senate within ninety (90) days.**
- 3. The OAG is instructed to verify the completion and accuracy of this reconciliation in the subsequent audit cycle and report any recurring non-compliance.**

3. Inaccuracy of Transfers to Other Government Entities

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

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

In the circumstances, the accuracy and completeness of transfers to other government entities amounting to Kshs.157,808,230 could not be confirmed.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

Hon chair, the observation on the transfers to Bomet County Bursary Fund has been noted by the management which resulted from recognition of a receivable by the bursary fund of Ksh. 12,500,000 by the end of the financial year. A reconciliation has been made to recognize the amount as payable in our financial statement and the necessary adjustments have been made through passage of journal entries which has been availed as **Annex 2.1**. The adjustments in the financial statements will be done in the financial year 2025-2026 by restating the amounts under comparative column as guided by IPSAS 3.

The expenditure returns from the health facilities have been availed for audit verification and copies have been provided.

Committee Observation

The Committee observes that the failure to provide supporting documentation for transfers totalling Kshs.157,808,230, including expenditure returns from health facilities and reconciliation schedules with the Bursary Fund, contravenes the public officer's duty under Section 79 of the PFM Act, 2012, to ensure that resources are used lawfully and transparently. This omission impairs the ability of the Committee and the Auditor-General to confirm that public funds were utilized for their intended purposes and in accordance with value-for-money principles outlined in Article 201(d) of the Constitution.

Committee Recommendations

1. In accordance with Regulation 41(2) of the PFM (County Governments) Regulations, 2015, which requires that pending bills be a first charge on the County Revenue Fund, the Committee recommends that the County Executive and the County Treasury prioritize the reconciliation and settlement of verified variances.
2. The County Governor undertake administrative action against the responsible officers who failed to provide documents, as per Section 156 of the PFM Act, 2012, and report to the OAG and the Senate within ninety (90) days.
3. A joint reconciliation exercise with the Bursary Fund and the Health department must be concluded, with a report submitted to the OAG for audit verification.

4. Inaccuracy of Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 13 to the financial statements reflects receivables from non-exchange transactions totalling Kshs.691,369,912 in respect of

exchequer transfers that had not been transferred from the County Revenue Fund. However, the balance differs with the recomputed receivables totalling Kshs.1,425,916,613 comprising of budget utilization difference for transfers from CRF and other income (conditional grants through CRF) amounting to Kshs.212,698,333 and Kshs.1,213,218,280 respectively as disclosed in the statement of comparison of budget and actual amounts resulting in unreconciled variance of Kshs.734,546,701.

In the circumstances, the accuracy and completeness of the receivables from nonexchange transactions totalling Kshs.691,369,912 could not be confirmed.

Management Response

Hon, Chair the amounts recognized in the statement of financial position of Ksh 691,369,912 were amounts that the county executive had received and had control of as indicated. The amounts of conditional grants had not been received and was not free from conditions from the donor and could not be reliably expected.

Committee Observation

The Committee notes the management's explanation regarding the treatment of conditional grants. However, the significant unreconciled variance of Kshs.734,546,701 highlights a weakness in internal controls over financial reporting, specifically the failure to adhere to the principles of accuracy and completeness as required by the PFM Act, 2012. This constitutes a breach of Section 149(1) of the Act, which requires an accounting officer to ensure that resources are used in a way that is lawful and authorised.

Committee Recommendations

- 1. The Committee recommends that the County Treasury, led by the County Executive Committee Member for Finance, must ensure a continuous and robust reconciliation process for all receivables, particularly conditional grants, against actual releases from the National Treasury and the County Revenue Fund.**
- 2. A detailed schedule of all receivables, with ageing analysis, shall be maintained and made available for audit. The OAG is directed to verify the effectiveness of these reconciliations in the next audit, as guided by the Public Sector Accounting Standards Board (PSASB) templates.**

5. Inaccuracy of Property, Plant and Equipment

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

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

Management Response

Hon Chair, the observations by the Auditor on the disclosures of fixed asset register has been noted and a journal entry has been passed and availed for audit verification. The anomaly does not affect the presentation of the financial statement and resulted in posting omission in the appendix. The copy journal voucher is attached as Annex 2.3

Committee Observation

The Committee observes that the failure to maintain a complete and accurate fixed assets register, resulting in a Kshs.635,303,038 variance, is a direct contravention of Regulation 136 of the PFM (County Governments) Regulations, 2015. This regulation mandates the accounting officer to maintain a register of all assets under their control. This lapse undermines asset management, exposes county assets to the risk of loss or misappropriation, and contravenes the duty to safeguard public property under Section 79(2)(c)(i) of the PFM Act, 2012.

Committee Recommendations

- 1. The Committee directs the Accounting Officer to conduct a comprehensive physical verification and reconciliation of all county assets. A complete and updated fixed assets register, in the format prescribed by the National Treasury and PSASB, must be prepared. The journal entry provided must be supported by this reconciled register and verified by the OAG.**
- 2. A progress report on this reconciliation shall be submitted to the County Assembly and the OAG within ninety (90) days.**

6. Inadequate Disclosure of Trade and Other Payables

The statement of financial position reflects trade and other payables totalling Kshs.1,538,084,971. The amount includes trade payables totalling Kshs.1,196,952,551 as

disclosed in Note 16 to the financial statements. However, the ageing analysis of the payables was not provided or disclosed in the financial statements, contrary to the requirements of the prescribed financial reporting template.

In the circumstances, the presentation of the trade and other payables totalling Kshs.1,196,952,551 have not been prepared as per the template prescribed by the Public Sector Accounting Standards Board (PSASB).

Management Response

Hon chair, the anomaly has been noted by the management and the necessary ageing analysis of the payables has been prepared and provided for audit verification attached as **Annex 2.4**. I have further directed the officers to provide a detailed disclosure on trade payables in the current financial year 2025/2026 under comparative period as guided by the public sector accounting standards board.

Committee Observations

The Committee notes with concern the inconsistent information regarding pending bills. The failure to provide an ageing analysis in the financial statements is a clear breach of the PSASB-prescribed financial reporting templates, as required by Section 194 of the PFM Act, 2012. This omission obscures the true nature of the county's liabilities and hinders transparency and accountability in financial reporting, violating the principles of openness and accountability in Article 201(a) of the Constitution.

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;**

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

The Committee further recommends that—

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

7. Inaccuracy of Net Assets

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

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

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

Management Response

Hon Chair, it's true that the error occurred in summation of total due to omission in the total's column of Net assets. However, the omission does not materially affect the presentation of other sets of financial statements. The correction in totals column shall be factored by restatement in the comparative amounts total in the financial year 2025-2026. A journal entry has been passed and availed for audit verification and attached as Annex 2.5

Committee Observation

The Committee observes that the inaccuracy in the statement of changes in net assets, resulting from a summation error, reflects poorly on the quality of financial record-keeping. While a journal entry was provided, the failure to amend the published financial statements demonstrates a lack of adherence to proper accounting closure procedures as stipulated in Regulation 97 of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

The Committee directs the Accounting Officer to ensure that all identified errors are corrected and the financial statements are properly restated in accordance with IPSAS 3. A detailed schedule supporting all adjustments to net assets must be prepared and availed for audit. The County Treasury shall report on the reconciliation of these balances to the OAG within ninety (90) days.

8. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents at end of the year amounting to Kshs.202,659,081. However, the amount differs with the re-computed cash and cash equivalents amount of Kshs.509,543,684 resulting in an unexplained variance of Kshs.306,884,603. The

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

recomputed amount also differs with cash and cash equivalents totalling Kshs.202,659,081 as reflected in the statement of financial position.

Further, note 18 to the financial statements reflects increase in receivables amounting to Kshs.585,400,947. However, the increase in receivables differ with the recomputed amounts of Kshs.133,135,987 resulting in unexplained variance of Kshs.452,264,960. Similarly, the increase in payables amount of Kshs.78,622,620 differs with the recomputed increase of Kshs.494,435,199 resulting in unexplained variances of Kshs.415,812,579. The increase in payables has also been erroneously deducted from the surplus for the year.

In the circumstances, the accuracy and completeness of statement of cash flows and cash and cash equivalents totalling Kshs.202,659,081 could not be confirmed.

Management Response

Hon Chair, we acknowledge the audit observation on the cash equivalents however, we could not find any variances in computation nor in supporting schedules of cash and cash equivalents as supported by note 12 of Ksh 202,659,081.

We also noted the variances between the direct method cash flow presentation and the indirect presentation in note 18 as per the audit observation. The variances resulted from changes in working capital adjustments in the first position during adoption from cash to accrual that was still under verification during the time of audit. The reconciliation of cash flows as presented in note 18 has been reconciled and will be factored in the subsequent financial year under comparative period adjustments.

Committee Observation

The Committee notes that the multiple and significant unexplained variances in the statement of cash flows point to systemic weaknesses in the county's financial reporting systems. This compromises the reliability of the financial statements and fails to provide a true and fair view of the county's cash position, which is a fundamental requirement of Section 164 of the PFM Act, 2012.

Committee Recommendation

The Committee recommends that the County Treasury undertake a complete reconciliation of the cash flow statement with the statement of financial position. The

source of the variances must be identified and corrected, and the comparative net asset amounts must be restated in the next financial year. The OAG is instructed to review and confirm these reconciliations in the next audit.

9. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects final budget amounting to Kshs.3,610,032,465 and Kshs.2,206,016,273 in respect of employee costs and use of goods and services expenditure respectively. However, the final budget amounts differ with the recomputed budgets totalling Kshs.3,407,735,641 and Kshs.2,408,313,094, resulting in unexplained respective variances of Kshs.202,296,824 and Kshs.202,296,821.

Further, the statement reflects negative total expenses adjustments amounting to Kshs.169,639,114. However, the amount differs with recomputed adjustments totalling Kshs.122,181,920, resulting in an unexplained variance of Kshs.291,821,034.

In the circumstances the accuracy and completeness of the amounts reflected in the statement of comparison of budget and actual amounts could not be confirmed.

Management Response

Hon Chair the observation on the posting of budget amounts resulted from wrong column posting from working papers and has been noted. The Journal entries were passed to correct the anomaly in the budget column in the disclosure of Statement of Comparison of Budget and Actual Amounts.

Further the total expenses adjustment figure error resulted from posting from working papers that was transferred to the statement of comparison of budget and actual amounts. The journal voucher has been availed for audit verification in Annex 2.6

Committee Observation

The Committee observes that the failure to accurately report budget and actual figures, resulting from "wrong column posting," demonstrates a failure to adhere to the budget execution controls outlined in Part V of the PFM (County Governments) Regulations, 2015. This inaccuracy undermines the oversight function of the County Assembly and the public's ability to assess budget performance, contravening Article 201(a) of the Constitution.

Committee Recommendation

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Committee instructs the County Executive Committee member for Finance to ensure that all final reconciliations of approved budgets and supplementary budgets against reported figures are performed and properly justified. The amended statements reflecting these corrections must be submitted to the OAG for audit verification. The OAG will examine whether the budgeted figures now align with actual performance in the subsequent audit.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounting to Kshs.8,853,029,233 and Kshs.6,314,611,926 respectively resulting in under-funding of Kshs.2,538,417,307 or twenty-nine percent (29%) of the budget. Similarly, the County Executive spent Kshs.5,958,510,543 against actual receipts of Kshs.6,314,611,926 resulting in underutilization of Kshs.356,101,383 of the actual receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the residents of Bomet County.

Management Response

Hon. Chair, in view of enhancing own source revenue, the revenue administration Act is currently in place and has assisted in enforcement of revenue collection. Additionally, valuation roll has gone through public participation at the County Assembly on 29th January 2026.

Committee Observations

The Committee observed that there was non-implementation of budgeted projects by the County Executive during the year due to late exchequer releases by the National Treasury.

The county did not meet its own-source revenue targets.

Committee Recommendations

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, thirty-two (32) issues were raised under the Report on Financial Statements, Emphasis of Matter, Other Matter, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as shown in Appendix I. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Management Response

It is true that some prior year audit matters were outstanding at the time of audit, however following your recommendations in a sitting with this committee in the month of November 2024, I am glad to report that we have commenced the implementation of outstanding matters as guided.

Committee Observations

- 1) The Committee observed that Various prior-year audit issues remained unresolved as of 30 June 2025
- 2) The further urged compliance with Section 53 of the Public Audit Act (2015), requiring the County to act on audit issues and report within 60 days of adoption. Finally, the Committee urged the County Executive to engage closely with the OAG to clear any remaining pending matters. In effect, management is expected to submit a progress report on prior audit resolutions and continue implementation vigorously.

Committee Recommendations

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

PAPER LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Basis for Conclusion

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

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

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

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

Management Response

The Steering Committee to oversee the planning, execution, and monitoring of the transition process was duly appointed on 23rd May 2025, alongside the project manager. Attached as Annex 2.7 are the appointment letters and reports of the steering committee and the project manager.

Committee Observation

The Committee observes that the absence of a Steering Committee and a Project Manager for the transition to accrual accounting, contrary to Guideline 1.5 (iii) and Paragraph 2.1.1 of the National Treasury Circular No. 03/2025, represents a failure of leadership and coordination. This delay risks non-achievement of key milestones and deliverables, potentially leading to inaccurate financial reporting in future years, in contravention of the principles of effective financial management under Article 201 of the Constitution.

Committee Recommendation

The Committee directs that the appointed Steering Committee and Project Manager must be fully operationalized immediately. They shall hold regular meetings and submit quarterly progress reports to the County Executive Committee and the County Treasury, with copies to the OAG. The Auditor-General is instructed to follow up on the activities and effectiveness of these bodies in the next audit.

2. Non-Compliance with Fiscal Responsibility Requirements on Wage Bill

The statement of financial performance reflects employee costs amounting to Kshs.3,500,681,042. The amount represents forty-eight percent (48%) of the County Executive's total revenue amounting to Kshs.7,354,132,866 received in the County Revenue Fund. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the limit for County Government's expenditure on wages and benefits shall not exceed thirty-five (35) percent of the County Government's total revenue. There was no evidence that the County Executive Committee Member for Finance had tabled a bill in the County Assembly to control the wage bill thus no efforts appear to have been made to check the wage bill. As a result, the high wage bill may not be sustainable.

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

Management Response

Hon Chair, while staffing levels are being strengthened, this aligns with a steady and sustainable revenue enhancement trajectory, with actual collections growing at an average of about 13.8 percent annually over the past five years, ensuring compliance with the fiscal policy cap of 35 percent on the wage bill and working towards full compliance in the near future.

It's true that the expenditure on wage bill was above what is set at thirty-five percent (35%) since the expenditure on wages and salaries is a fixed expense regardless of shortfalls in revenue. The management is in the process of putting in place several interventions that will reduce the PE cost to development cost ratio by improving on enforcement strategies to enhance own source revenue. Revenue collection strategies are currently being overhauled as one of those interventions.

We also beseech the senate to push for more allocation to counties to efficiently and ratably balance off the development priorities for the county government and the growing staffing needs including, annual salary increment, staff promotions and confirmation of staff in critical services such as health.

Committee Observations

PAPERS	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Committee observed that the County Executive's wage bill during the FY 2024/2025 stood at 48% of its total receipts which was above the threshold of 35%. The high wage bill is a threat to the objects of devolution as provided for under Article 174(f) of the Constitution.

Committee recommendations

The Committee recommends that—

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

3. Irregular Payment of Salaries and Personal Allowances

Review of the Integrated Payroll and Personnel Database (IPPD) and Government Human Resource Information System (GHRIS) indicated that during the year under review one

thousand, four hundred and fifty-four (1,454) officers were paid salaries and allowances amounting to Kshs.48,181,528 which was not recommended by the Salaries and Remuneration Commission as shown below:

3.1 Irregular Payment of Special House Allowance

Special house allowance amounting to Kshs.14,194,115 was paid to seven hundred and six (706) members of staff. However, this allowance had not been approved by the Salaries and Remuneration Commission.

Management Response

Special house allowance arose due to SRC's circular Ref No. SRC/TS/CGOVT/3/16, dated 29th July 2013 attached as Annex 3.1, which outlined the remuneration and benefits of public servants working in the executive arm of county governments and pegged the house allowances at specific amounts. However, we have commenced arrangements to pay staff a uniform & equitable salary and allowances cutting across the County Public Service and the anomaly have been gradually phased out through promotions and annual increments.

3.2 Irregular Payment of Extraneous Allowance

Extraneous allowance amounting to Kshs.2,460,000 was paid to one hundred and thirty-one (131) employees who were not entitled to earn the allowance.

Management Response

Extraneous allowance paid were as a result of staff attached to assignments that are over and above the prescription of their JD's as per HR policies and Procedures manual no. C13 and SRC Circular Ref. No. SRC/TSGOVT/3/61/Vol. II/(136) of 14th September 2015 attached as annex 3.2 which outlines that extraneous allowance shall be paid to officers who are called upon to undertake extra responsibilities in addition to their normal duties and therefore work over and above the official working hours on a continuous basis.

3.3 Irregular Payment of Special Salaries

Seventeen (17) officers were paid special salaries amounting to Kshs.2,885,000 during the year under review. However, these officers were paid basic salary and other allowances totalling Kshs.9,200,160 resulting in double payment of salaries and allowances.

Management Response