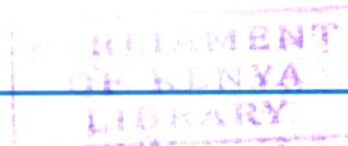




**Office of the
Controller of Budget**
Budget Oversight for Transparency



ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED
JUNE 30TH, 2025

JANUARY, 2026



Office of the Controller of Budget

Budget Oversight for Transparency

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 28 MAY 2026	
DAY: Thursday	
TABLED BY:	Hon. Naomi Wago, MP Deputy Majority Whip
THE-TABLE:	Irene Nduku

ANNUAL REPORT

FY 2024/2025

Prepared and Submitted in Accordance with Article 254(1) of the Constitution

JANUARY, 2026

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Office of the Controller of Budget

VISION

- *A country where public funds are utilized prudently and efficiently*

MISSION

- *To oversee the implementation of all government budgets through the timely authorisation of withdrawals from Public Funds and ensuring prudent and efficient use of public finances by monitoring, evaluating and reporting in accordance with the law.*

OUR CORE VALUES

Independence: *We execute our constitutional mandate firmly and without fear or favour.*

Transparency and Accountability: *We are committed to promoting transparency in our work and shall be accountable for our decisions or actions.*

Integrity: *We shall uphold honesty, fairness and professional ethics in all our undertakings.*

Professionalism: *We shall adhere to best practices, professional standards and ethics to continuously improve service delivery.*

Teamwork: *The staff work as one team and collaborate with stakeholders to realize our mandate*

Creativity and innovativeness: *We are a learning organisation committed to continuously improving our processes to deliver value to our stakeholders.*

TAGLINE

“Budget Oversight for Transparency”

TABLE OF CONTENTS

Table of Contents	iv
Abbreviations and Acronyms	viii
Message from the Controller of Budget	x
Executive Summary	xii
CHAPTER ONE	1
1.0 Establishment, Mandate, and Composition of the Office of the Controller of Budget	2
1.1 Establishment of the Office of the Controller of Budget	2
1.2 Mandate of the Controller of Budget	2
1.3 Organisation Structure	3
1.3.1 Staff Establishment	3
1.3.2 Staff Recruitments and Promotions	6
1.3.3 Staff Welfare Programmes	6
1.3.4 Staff Mortgage and Car Loan Scheme	6
1.3.5 OCoB Staff Retirement Benefits Scheme	7
1.3.6 Work Environment	7
1.3.6.1 Occupational Health and Safety	7
1.3.6.2 First Aid Kits	7
1.3.6.3 Safety Risk Management	8
1.3.6.4 Staff Training and Development	8
CHAPTER TWO	9
2.0 Institutional and Administrative Structure	10
2.1 Institutional Structure	10
2.2 Administrative Structure	11
CHAPTER THREE	20
3.0 Delivery of the Cob Mandate	21
3.1 Authorisation of Withdrawals from Public Funds	21
3.1.1 Exchequer Withdrawals from the Consolidated Fund	21
3.1.2 Exchequer Withdrawals from the County Revenue Fund	21
3.1.3 Exchequer Withdrawals from the Consolidated Fund Services	21
3.1.4 Exchequer Withdrawals from the Equilisation Fund	21

TABLE OF CONTENTS

3.1.5 Exchequer Withdrawal from the Judiciary Fund22

3.2 Production and Dissemination of Quarterly Budget Implementation Review Reports22

3.3 Review of Planning and Budget Documents23

3.4 Provision of Advisories on Budget Implementation 23

3.5 Engagement with Members of Parliament 23

3.6 Public Education and Sensitization 26

3.7 Anti-Corruption Initiatives 28

3.8 Monitoring and Evaluation of Projects and Program Implementation 28

CHAPTER FOUR 49

4.0 FINANCIAL AND AUDIT REPORTS 50

CHAPTER FIVE 100

5.0 EMERGING ISSUES 101

5.1 CHALLENGES 103

5.2 CONCLUSION 104



LIST OF TABLES

Table 1 : Staff Composition by Designation, Gender	4
Table 2 : Distribution of Staff by Ethnicity and Gender	5
Table 3: Members of the Staff Welfare Committee	6
Table 4: Composition of the OCoB Board of Trustees	7
Table 5: Composition of Executive Committee	12
Table 6: Composition of Management Committee	13
Table 7: Composition of the Integrity/ Corruption and Prevention Committee	13
Table 8: Composition of Audit and Risk Committee	15
Table 9: Attendance Schedule of the Audit and Risk Committee.....	15
Table 10: Composition of Budget Implementation Committee	16
Table 11: Attendance Schedule of Budget Implementation Committee.....	16
Table 12: Composition of Public Finance Management Committee	17
Table 13: Composition of Human Resource Management Advisory Committee.....	18
Table 14: Attendance Schedule for the Human Resource Management Advisory Committee.....	19
Table 15: Summary of Withdrawal Approved by the Controller of Budget (Kshs. Billion)	22
Table 16: List of Presentations to the National Assemblies	24
Table 17: List of Presentations to the Senate Committees	25

LIST OF PICTURES

Picture 1: Training of County Officials on exchequer guidelines held at the Kenya School of Government - Nairobi Campus	8
Picture 2: The Controller of Budget FCPA Dr Margaret Nyakang'o CBS, addressing the National Assembly Budget and Appropriations Committee (BAC)	24
Picture 3: The Controller of Budget, FCPA Dr Margaret Nyakang'o CBS, addressing the Finance and Budget Committee of the Senate	26
Picture 4: The Controller of Budget, FCPA Dr Margaret Nyakang'o, presents copies of the Budget Implementation Review Reports (BIRRs) to the First Lady of Kakamega County, Prof. Janet Barasa, during the Adopt a Forest Initiative in Kakamega.	27

Picture 5: Controller of Budget FCPA Dr Margaret Nyakang'o briefs Uasin Gishu County Executive Officers, joined by CEC Finance Mr Micah Rogony	29
Picture 6: Publicity signboard (left) and a plaque (right) for the borehole drilling and capping project at Banita Secondary School	40
Picture 7: Borehole site at Banita Secondary School, in Rongai Constituency, Nakuru County	41
Picture 9: Publicity Signboard and water pipes for the Sambocho water project.....	42
Picture 10 : Water Intake (left) and distribution tank for the Sambocho Water project, in Elgon Ward, Mt Elgon Constituency, Bungoma County.	42
Picture 12: Stalled Medical Staff House at Moa Dispensary in Witu Ward, Lamu West Constituency, Lamu County.....	43
Picture 13: Construction of a livestock sale yard and modern toilet at Rotian Saleyard, Nkareta Ward, Narok County	45
Picture 14: Submerged Lotoboi Health Centre, Mochogoi Ward, Baringo County	46
Picture 15: Newly constructed Lobo Dispensary, Mochogoi Ward, Baringo County	46
Picture 16: Kataboi Eco Lodge, Lake Zone Ward, Turkana County	47
Picture 17 : Resuscitation machine at the Meru County Teaching and Referral Hospital main theatre	48



Abbreviations and Acronyms

AHL	Affordable Housing Levy
AIA	Appropriations in Aid
AWAK	Association of Women Accountants of Kenya
BAC	Budget and Appropriations Committee
BIRRs	Budget Implementation Review Reports
BROP	Budget Review Outlook Paper
BPS	Budget Policy Statement
CADP	County Annual Development Plan
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee
CECM	County Executive Committee Member
CIDP	County Integrated Development Policy
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CFS	Consolidated Fund Services
CFSP	County Fiscal Strategy Paper
CPAC	County Public Accounts Committee
CPIC	County Public Accounts Committee
DCI	Directorate of Criminal Investigations
DSMP	Debt Strategy Management Paper
EACC	Ethics and Anti Corruption Commision
EFAB	Equalisation Fund Advisory Board
FIF	Facilities Improvement Fund
FIFO	First-in-First-Out
HFC	Housing Finance Corporation
IBEC	Intergovernmental Budget and Economic Council
IEC	Information, Education, and Communication

IFMIS Integrated Financial Management Information System

IHRS Integrated Human Resources System

IPSAS International Public Sector Accounting Standards

ISSAS International Standards of Supreme Audit Institutions

KEMSA Kenya Medical Supplies Authority

KPI Key Performance Indicators

OCoB Office of the Controller of Budget

OSR Own Source Revenues

MDAs Ministries, Departments, and Agencies

MTEF Medium Term Expenditure Framework

NDC Non Determined Contribution

NG-CDF National Government Constituencies Development Fund

NSSF National Social Security Fund

PAC Public Accounts Committee

PBB Programme-Based Budget

PFM Public Finance Management

PFMA Public Finance Management Act

PIC Public Investments Committee

PPADA Public Procurement and Asset Disposal Act

PPE Property Plant and Equipment

PSAB Public Sector Accounting Standards Board

PSASB Public Sector Accounting Standards Board

SAGAs Semi-Autonomous Government Agencies

SHIF Social Health Insurance Fund

TADAT Tax Diagnostic and Assessment Tool

TSA Treasury Single Account



It is my privilege to deliver the Annual Report and Financial Statements for the office of the Controller of Budget (CoB) covering the financial year (FY) 2024/25. This report aligns with the requirements of Article 254 (1) of the Constitution, which mandates that all Commissions and Independent offices report annually to the President and Parliament. This document outlines the CoB's operational performance, financial statements and key accomplishments achieved in executing the independent office's constitutional duties throughout FY 2024/25.

The Office is mandated to oversee the implementation of budgets for the National and County Governments by authorising withdrawals from public funds under Articles 204, 206, and 207 of the Constitution, and to report on the implementation of these budgets to each House of Parliament every four months. The Controller of Budget's (CoB) mandate is

amplified under the Controller of Budget Act, 2016, the Public Finance Management (PFM) Act, 2012, and the attendant Regulations.

In accordance with Article 228 (6), the CoB continues to provide Parliament with Quarterly Budget Implementation Review Reports that outline the execution of budgets by national and devolved entities. The reports are straightforward and easily accessible, with all documents available on our official portal, www.cob.go.ke and other media channels. I strongly encourage our stakeholders, including members of the public, to take time to engage with our quarterly budget implementation reports and provide us with constructive feedback.

The monitoring and evaluation functions have been significantly enhanced and institutionalised to track the implementation of programs across the devolved governments. While several Counties have shown positive progress in executing projects, several issues were identified, notably difficulties in budget absorption in key development areas and delays in project execution stemming from the delayed procurement of goods, works, and services. Moving forward, the monitoring exercise will cover projects under implementation by the national government Ministries,

Message from the Controller of Budget

Departments and Agencies(MDAs) to ensure public expenditure delivers the highest possible impact.

The CoB Office is continually evolving to address its growing responsibilities. Despite budgetary constraints, the office has begun implementing the new human resource instruments approved during the financial year. Once fully implemented, the office will have adequate human resources to fulfil its constitutional mandate effectively. Furthermore, a rebranding effort is now complete, underpinned by the Strategic Plan that champions greater transparency, operational efficiency, and strengthened accountability.

I wish to convey my sincere appreciation to all stakeholders for their positive collaboration in delivering our mandate throughout this reporting period.

Finally, I wish to thank all my staff for their dedication and commitment to ensuring we delivered on our mandate during the year under review.



FCPA Dr Margaret Nyakang'o, CBS

CONTROLLER OF BUDGET



Executive Summary

During the 2024/2025 financial year, the Office of the Controller of Budget (OCoB) recorded significant progress in advancing its constitutional mandate while pursuing transformative approaches to realise its vision of “*a country where public funds are utilised prudently and efficiently.*” This reporting period, which marks the second year of implementing the OCoB Strategic Plan 2023–2027, is documented in this annual report that highlights achievements, outputs, emerging issues, and strategic interventions for the year ending 30 June 2025.

Chapter One outlines the establishment of the OCoB, its constitutional and statutory mandate, and the composition of management. It describes the staff structure and the welfare programmes implemented during the year to create a conducive working environment and improve staff productivity. It explains how these human resource measures support the operational effectiveness and readiness to deliver on its mandate.

Chapter Two focuses on the institutional and administrative arrangements that enable the OCoB to operate optimally. It describes the directorates, departments and sections established to support the Controller of Budget. It explains the roles and mandates of the committees appointed to perform specific oversight and governance functions. The chapter also details the administrative systems and internal controls that underpin the OCoB's ability to deliver timely and reliable budget oversight.

Chapter Three addresses the OCoB's core mandate and provides a comprehensive account of achievements against each statutory function. Regarding authorisations for withdrawals from public funds, the Controller of Budget approved the withdrawal of Kshs 4,081.50 billion from the Consolidated Fund to other public funds. The withdrawals were disaggregated as follows; Kshs 1,777.74 billion from the Consolidated Fund to the MDAs accounts to support recurrent and development expenditures; Kshs 1,790.70 billion from the Consolidated Fund to the Consolidated Fund Services (CFS); Kshs 486.99 billion from the Consolidated Fund to the County Revenue Fund (CRF) to support budget implementation by the Counties; Kshs 3.45 billion from the Consolidated Fund to the Equalization Fund; and Kshs 22.62 billion from the Consolidated Fund to the Judiciary Fund. All withdrawals were executed in strict compliance with the law.

This chapter further describes the OCoB's reporting and advisory work. The OCoB produced and disseminated quarterly Budget Implementation Review Reports as required by statute, reviewed planning documents and provided advisory comments to implementing entities, and engaged Parliament to clarify budget implementation matters. Public sensitisation activities were conducted to increase visibility and strengthen public understanding of budget oversight. To maintain oversight, the OCoB institutionalised monitoring and evaluation mechanisms to track government projects and programmes. During the year, the OCoB conducted oversight visits to 38 counties, recommended corrective measures and best practices, and promoted their replication in all 47 counties, as well as Ministries, Departments, and Agencies (MDAs).

Chapter Four presents the OCoB's financial position through the financial statements for FY 24/25, duly audited by the Auditor General. The OCoB received an unmodified audit opinion for the reporting period, reflecting sound financial management and adherence to public sector accounting standards. This chapter explains the financial controls and stewardship practices that contributed to the favourable audit outcome and highlights measures taken to sustain fiscal discipline. The OCoB also won a FIRE award from the Institute of Certified Public Accountants of Kenya for sound financial reporting.

Chapter Five examines challenges, emerging issues and the recommendations proposed to address them. It identifies the persistent gaps in budget implementation at national and county levels, resource constraints that limit the full realisation of strategic objectives, and the need for deeper stakeholder collaboration to resolve systemic inefficiencies. The chapter sets out targeted recommendations and strategic interventions the OCob will pursue to mitigate these challenges and to strengthen oversight and accountability.

Throughout the report, achievements are linked to the six strategic themes of the OCoB Strategic Plan 2023–2027 namely: Efficient approval of withdrawals from public funds; Quality and timely reporting and dissemination of Budget Implementation Review Reports(BIRRs); Prudent financial management and effective budget implementation; Stakeholder engagement and collaboration; Institutional capacity and governance; and Resource mobilization and economic sustainability, demonstrating how each directorate's work contributes to the long-term transformation agenda. Despite the challenges encountered, the Office of the Controller of Budget remains committed to promoting prudent and accountable management of public finances at the national and county levels. The annual report 2024-25 documents tangible progress across the OCoB's statutory functions and strategic priorities and sets out a clear course of action to consolidate gains and address emerging issues in the year ahead.



Executive Summary

Aggregate amount authorised
for withdrawal from the Consolidated
Fund in FY 2024/25
 Ksh. **4,081.50** Billion

Amount authorised for withdrawal from the
Consolidated Fund to support Budget Implementation
by the National Government (MDAs)
 Ksh. **1,777.74** Billion

 Amount authorised for
withdrawal from the
Consolidated Fund
Services (CFS)
Ksh. **1,790.70** Billion

 Amount authorised for
withdrawal from the County
Revenue Fund (CRF)
Ksh. **486.99** Billion

 Amount authorised for
withdrawal from the
Equalisation Fund
Ksh. **3.45** Billion

 Amount authorised for
withdrawal from the
Judiciary Fund
Ksh. **22.62** Billion

 Number of days taken
to process requests for
withdrawals from the
public funds **1**

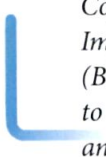
Number of Days Taken to
approve Withdrawal from
County Revenue Fund (CRF) **2**

 Number of
bills reviewed **112**

 Days taken to review
and process pension
and gratuities **4**

 Number of Quarterly National
Government Budget
Implementation Review Reports
(NG-BIRRs) Produced **4**

 Number of Quarterly County
Government Budget
Implementation Review Reports
(CG-BIRRs) Produced **4**

 Copies of the Quarterly Budget
Implementation Review Reports
(BIRRs) produced and disseminated
to Parliament, County Assemblies
and other stakeholders. **Total of 8,867**
NG-BIRRs-4,800
CG-BIRRs-4,067

Number of parliamentary
committee meetings
attended **87**

 Number of National Government
(MDAs) Monitoring and Evaluation
reports produced **0**

 Number of County
Monitoring and Evaluation
reports produced **38**

 Number of Annual Reports
on the OCoB mandate produced
and disseminated **1**

 Number of
National Planning
and Budget **7**

 Number of County Planning
and Budget Documents
Reviewed **240**

CHAPTER 1

ESTABLISHMENT, MANDATE, AND COMPOSITION OF THE OFFICE OF THE CONTROLLER OF BUDGET



ESTABLISHMENT, MANDATE, AND COMPOSITION OF THE OFFICE OF THE CONTROLLER OF BUDGET

1.1 Establishment of the Office of the Controller of Budget

The Office of the Controller of the Budget is established under Article 228 of the Constitution of Kenya and enacted by the Controller of Budget Act, Cap 429, to oversee the implementation of budgets of the national and county governments by approving withdrawals from public funds and reporting to each House of Parliament on the budget's performance. Specifically, Article 228 (6) of the Constitution and Section 9 (1) of the Controller of Budget Act, Cap 429, require the Controller of Budget to submit quarterly reports on budget implementation for the national and county governments to each House of Parliament within thirty days after the end of each quarter.

1.2 Mandate of the Controller of Budget

The mandate of the Controller of Budget is anchored in Article 228 of the Constitution of Kenya and operationalised through the Controller of Budget Act, Cap 429, and the Public Finance Management Act, Cap 412A. The Controller of Budget is responsible for overseeing the implementation of national and county government budgets by authorising withdrawals from public funds to ensure that expenditures are in line with approved budgets and cash flow plans. In addition, the Office monitors and evaluates budget implementation, assesses the use of public resources, and prepares and submits periodic reports to Parliament and county assemblies on budget execution. The mandates of CoB are as follows:

- i) **Budget Implementation Oversight:** The Controller of Budget oversees the implementation of the budgets of the National and County Governments by monitoring the use of public funds in-year and reporting to Parliament on how the funds have been utilised. The Controller of Budget oversees and regularly monitors the utilisation of public funds released to spending units.
- ii) **Controlling:** The Controller of Budget authorises withdrawals from Public Funds, including the Equalisation Fund (Article 204), the Consolidated Fund (Article 206), and the County Revenue Funds (Article 207) of the Constitution of Kenya. Before authorising any withdrawal, the Controller of Budget must be satisfied that the withdrawal is permitted by law, as provided for in Article 228(5) of the Constitution of Kenya. The Controller of Budget ensures the timely approval of withdrawals from Public Funds.
- iii) **Reporting:** The Controller of Budget prepares quarterly, annual and special reports to the Legislature and the Executive on budget implementation matters of the National and County Governments as provided by law under Article 228 (6) of the Constitution of Kenya, 2010. These reports are published and widely publicised.
- iv) **Advisories:** The Controller of Budget advises Parliament on financial matters where a Cabinet Secretary has stopped transferring funds to a State organ or public entity. Article 225 (7) of the Constitution of Kenya provides that the suspension of funds can only be lifted or sustained after the Controller of Budget reports to Parliament. The Controller of Budget also advises government entities on improving budget implementation.
- v) **Investigations:** Under Article 252 (1) (a) of the Constitution, the Controller of Budget conducts investigations on budget implementation matters on their own initiative or following a complaint from a member of the public.

- vi) **Conciliation, Mediation, and Negotiation:** The Controller of Budget may, under Article 252(1) (b) of the Constitution of Kenya, undertake conciliation, mediation and negotiation. This role may involve resolving budget implementation conflicts between County and National Government entities or within the Counties.
- vii) **Enforcement of Budgetary Ceilings:** The Constitution of Kenya and the Controller of Budget Act, 2016 confer upon the Controller of Budget the power to enforce budget ceilings on National and County Government expenditures as approved by Parliament. The ceilings include allocating at least 30 per cent of total budgeted spending to development, ensuring that personnel emoluments expenditures are less than 35 per cent of the total revenue for National and County Governments, and providing an equitable allocation of nationally raised income between the two levels of government.
- viii) **Monitoring and Evaluation:** Section 5(b) of the CoB Act, 2016 provides that in the performance of the functions under Articles 228 (4) to (6), and Article 252 of the Constitution, the Controller of Budget shall ensure prudent and efficient use of public funds by monitoring, evaluating, reporting and making recommendations to the National and County Governments on measures to improve budget implementation. Monitoring and evaluating budget implementation is a core function in budget execution. It involves checking progress and achievements to address challenges identified in the Budget Implementation Review Reports and provide mitigating measures to improve the realisation of budgeted outcomes.
- ix) **Public Sensitisation:** Section 39 (8) of the Public Finance Management Act, 2012 requires the Controller of Budget to provide information to the public on budget implementation at both levels of Government. Article 35 of the Constitution of Kenya provides that the public has the right to access any information held by the State. The Controller of Budget ensures that the public has access to comprehensive, understandable, credible and timely information on budget implementation. In discharging these functions, the Controller of Budget is guided by other pieces of legislation, such as:
 - ✓ The Public Finance Management Act, 2012;
 - ✓ Public Officer Ethics Act, 2003;
 - ✓ Leadership and Integrity Act, 2012;
 - ✓ Public Service (Values and Principles) Act, 2015;
 - ✓ The Ethics and Anti-Corruption Commission Act, 2011;
 - ✓ Occupational Health and Safety Act, 2007; and
 - ✓ Fair Administrative Action Act, 2015.

1.3 Organisation Structure

1.3.1 Staff Establishment

During the FY 2024/2025, the OCoB had a total staff establishment of 254 for different cadres. However, the total number of staff inpost during the period was 156, comprising of 110 officers, who are based at the Head office and 46 officers who are based at the OCOB County offices located within the County Headquarters. As

of June 2025, the gender composition of the workforce stood at 96 males and 60 female employees, representing approximately 61.5 per cent and 38.5 per cent of the total staff complement, respectively, as detailed in Table 1 by designation. This distribution demonstrates compliance with the constitutional one-third gender rule, which requires that no more than two-thirds of a public body's members be of the same gender.

Table 1: Staff Composition by Designation, Gender

S/No.	Designation	Male	Female	No. of Officers
1.	Controller of Budget	-	1	1
2.	Deputy Controller of Budget	1	-	1
3.	Directors	1	1	2
4.	Chief Managers	7	3	10
5.	Managers	3	3	6
6.	Principals	6	1	7
7.	Senior Internal Auditor	2	1	3
8.	Personal Assistant	-	1	1
9.	County Budget Coordinator	41	5	46
10.	Internal Auditors	2	-	2
11.	Accountant	2	2	4
12.	Senior Administrative Assistant	-	3	3
13.	Assistant Managers	2	2	4
14.	Senior Fiscal Analyst	2	3	5
15.	Senior ICT	1	-	1
16.	Monitoring and Evaluation Officer	1	-	1
17.	Assistant Monitoring and Evaluation Officer	1	-	1
18.	Fiscal Analyst	4	4	8
19.	Registry Officer	1		1
20.	Public Relations & Communications Officer	-	1	1
21.	Human Resource Officer	-	2	2
22.	Supply chain officer	-	1	1
23.	Research Officer	1	1	2
24.	ICT Officer	-	1	1
25.	Legal Assistant	-	1	1
26.	Administrative Assistant	-	5	5
27.	Administration Officer	1	-	1
28.	Assistant Accountant	1	1	2

29.	Librarian	1		1
30.	Accounts Assistant	-	1	1
31.	Customer Care Assistant	-	2	2
32.	Clerical Officer	-	6	6
33.	Telephone Operator	-	1	1
34.	Senior Drivers	2	-	2
35.	Drivers	9	1	10

Source: Office of the Controller of Budget

The OCoB promotes inclusivity, diversity, and non-discrimination in the composition of its workforce, in compliance with national values and principles of governance as outlined in Article 10 of the Constitution. Furthermore, the OCoB has ensured fair representation of different ethnicities and gender diversity, in line with the requirements of Articles 27(8) and 81(b) of the Constitution. Table 2 presents the distribution of staff by ethnicity and gender.

Table 2: Distribution of Staff by Ethnicity and Gender

S/No.	Ethnic Group	No. of Officers	Male	Female
1.	Kisii	12	6	6
2.	Mijikenda	6	4	2
3.	Meru	9	3	6
4.	Kamba	8	5	3
5.	Luo	26	13	13
6.	Luhya	24	17	7
7.	Bajun	1	-	1
8.	Kalenjin	17	13	4
9.	Somali	11	8	3
10.	Kikuyu	27	15	12
11.	Taita	2	1	1
12.	Taveta	1	1	-
13.	Boran	4	4	-
14.	Masaai	4	3	1
15.	Gabra	2	1	1
16.	Teso	1	1	-
17.	Turkana	2	2	-
Total		156	96	60

Source: Office of the Controller of Budget

1.3.2 Staff Recruitments and Promotions

During the review period, the CoB recruited 18 staff to fill various vacant positions within the establishment. This comprised of two (2) staff at the management level and fourteen (14) at the technical level and two (2) at the support level. Staff recruitment was informed by the skills set analysis provided by the Heads of Department, in accordance with OCoB's human resource instruments, following a skills gap review. During the period under review, the Office recruited five (5) staff members through internal and external sources to enhance the delivery of the Office's mandate.

1.3.3 Staff Welfare Programmes

During the reporting period, staff welfare continued to be prioritised through specific interventions financed from the Welfare Kitty. The committee disbursed funds to cater for various staff welfare needs, reflecting the Office's commitment to employee wellbeing and institutional cohesion. Other activities funded from the staff welfare contributions included; financial support to bereaved staff members, hospital costs, and support during staff weddings amongst others.

These welfare interventions enhanced staff morale, promoted a supportive work environment, and cushioned employees against significant social and life-cycle events, consistent with good human resource management practices in the public sector. During FY 2024/25, the following were members of the staff welfare committee.

Table 3: Members of the Staff Welfare Committee

S/No.	Name	Position
1.	CPA Joseph Marembo	Chairman
2.	Duncan Opati	Treasurer
3.	Diana Oluoch	Assistant Treasurer
4.	Mariam Ramah	Secretary

1.3.4 Staff Mortgage and Car Loan Scheme

The CoB has established a Mortgage and Car Loan Scheme to provide mortgage facilities to staff. The OCoB has continued to offer mortgages to its staff to promote the Government's plan for access to affordable housing under the Bottom-Up Economic Transformation Agenda (BETA), focusing on accessible and adequate housing with reasonable sanitation standards. As of June 30th 2025, thirty-eight (38) staff members had accessed the facility since its inception, at a 3 per cent interest rate as per the government policy.

The scheme aims to provide the OCoB staff with opportunities to:

- i. Purchase existing residential properties.
- ii. Purchase of land for construction.
- iii. Construct, renovate and improve existing residential property or existing plot/land.
- iv. Takeover loans on existing mortgages or equity release on existing property.

- v. Purchase motor vehicles.

The CoB has appointed a committee to review loan applicants under the CoB Staff Mortgage Scheme Guidelines, 2023. The Staff Mortgage and Car Loan Scheme Administration Committee is responsible for establishing a revolving fund for loan disbursement and overseeing the scheme's day-to-day operations. The Fund is currently administered by the Kenya Commercial Bank (KCB).

1.3.5 OCoB Staff Retirement Benefits Scheme

The Retirement Benefits Authority registered the OCoB Staff Retirement Benefit Scheme on June 30, 2017. It is a defined contribution scheme in which both the employer and the employee contribute a specified percentage. The fund administrator is Jubilee Life Insurance Limited, which is also the Approved Issuer. The scheme is audited annually by the Auditor General.

The Board of Trustees governs the Scheme. The Board of Trustees is composed of four elected Trustees and three Sponsor-appointed Trustees. During the period under review, the Scheme held its inaugural elections, during which Scheme members elected four members to the Board of Trustees.

As of June 30, 2025, the scheme had a total membership of one hundred and fifty-five members (155), of which one hundred and thirty-seven (137) are active Members and eighteen (18) are deferred members, with a monthly contribution of approximately 4.6 million and an interim fund value of Kshs. 480.83 million. Table 4 presents the composition of the management of the OCoB SRB scheme.

Table 4: Composition of the OCoB Board of Trustees

Name of Trustee & Position		Category	Date of Appointment	Term in Office
FCPA Jacinta Masila	Chairman	Sponsor Appointed	2/12/2024	1 st Term
CPA Peter Omondi	Hon. Secretary	Member Elected	22/11/2024	1 st Term
Geoffrey Abuga	Member	Sponsor Appointed	21/2/2024	1 st Term
Waweru Tuti	Member	Sponsor Appointed	2/12/2024	1 st Term
Sally Rono	Member	Member Elected	22/11/2024	1 st Term
Dr Edwin Cherop	Member	Member Elected	22/11/2024	1 st Term
Onesmus Mwanzia	Member	Member Elected	22/11/2024	1 st Term

1.3.6 Work Environment

1.3.6.1 Occupational Health and Safety

The CoB is committed to providing and maintaining a safe working environment, as well as ensuring the safety of equipment and systems of work, for all its employees, visitors, and other persons at or near its operational areas. The CoB is currently developing a domestic Occupational Safety and Health Policy aligned with the Occupational Safety and Health Act, Cap 236A (OSHA).

1.3.6.2 First Aid Kits

The CoB has acquired functional First Aid kits and has four trained staff to provide first aid in the event of

minor accidents. As part of the government's workplace safety requirements, organisations must train at least 5 members of staff to handle the kits. (Do we have the five?)

1.3.6.3 Safety Risk Management

The office has continued to conduct regular risk assessments of its operations to strengthen existing internal controls and prevent disruptions to service delivery. This entails developing measures to prevent workplace incidents.

The office maintains a risk register that is regularly reviewed for relevance, as workplace conditions remain dynamic. Wherever an incident occurs, the OCoB focuses on protecting life and has put in place measures to safeguard life and property. These include:

- i. Adherence to safety designs in the offices
- ii. Strengthening barriers that reduce the spread of harm
- iii. Continuous training and awareness programs undertaken to equip staff with skills to detect and appropriately respond to emergencies
- iv. Disaster recovery and continuity planning to enable the resumption of the operation of critical services as fast as possible.

1.3.6.4 Staff Training and Development

The OCoB, in enhancing institutional capacity, developed human resource instruments to make the office more competitive and to attract and retain competent staff. To improve office productivity and efficiency, the office sponsored 150 members of staff to undertake relevant training in their areas of operation. The training interventions are aligned with the organisation's performance management systems.

To enhance service delivery, the OCoB has embraced technology and is progressively acquiring additional ICT infrastructure equipment. To strengthen institutional capacity, the office has developed and implemented the following policies: an Investigation Policy, a Risk Management Policy Framework, Wealth Declaration Guidelines, a Complaints Handling Policy, and a Code of Conduct and Ethics.



Picture 1: Training of County Officials on exchequer guidelines held at the Kenya School of Government -Nairobi Campus

CHAPTER 2

INSTITUTIONAL AND ADMINISTRATIVE STRUCTURE



2.1 Institutional Structure

The Office of the Controller of Budget is headed by the Controller of Budget (CoB). The Office comprises four Directorates and two departments: the Internal Audit Department and the Supply Chain Management Department. Each Directorate is headed by a director who reports directly to the CoB. The Internal Audit Department is headed by the Chief Internal Auditor, who reports administratively to the CoB and functionally to the Audit and Risk Committee. The Supply Chain Management Department is headed by the Chief Manager, Supply Chain Management, and reports directly to the CoB. The Directorates and Departments are listed below:

- i. Directorate of Budget Implementation.
- ii. Directorate of Corporate Services.
- iii. Directorate of Legal Services.
- iv. Directorate of Research, Planning and Knowledge Management.
- v. Department of Internal Audit.
- vi. Department of Supply Chain Management

The Directorates and Departments work together to support the delivery of the CoB mandate and functions in line with Article 228 of the Constitution. The functions of the Directorates and Departments are described below.

a) Directorate of Budget Implementation

The Directorate of Budget Implementation is headed by the Deputy Controller of Budget, who oversees the day-to-day operations and reports to the Controller of Budget. The Directorate is divided into the National Government, County Governments, and Parliamentary Liaison Departments. It is responsible for the following key functions:

Reporting on the implementation of the National and County Government Budgets.

- i. Ensuring timely processing of exchequer requests for the National and County Governments' recurrent and development expenditures.
- ii. Monitoring and enforcing budgetary ceilings on National and County Government expenditure.
- iii. Parliamentary Liaison, including the county assemblies at the county level.

b) Directorate of Corporate Services

The Corporate Services Directorate is headed by the Director of Corporate Services, who reports to the Controller of Budget. The Directorate has five Departments: Finance and Accounts, Information Communication and Technology, Human Resource and Administration, and Public Relations and Corporate Communications.

c) Directorate of Planning, Research and Knowledge Management

The Directorate is headed by the Director of Research, Planning, and Knowledge Management, who reports to the Controller of Budget. The Directorate is tasked with formulating and implementing research and

planning policies, systems, and procedures. The Directorate is also charged with monitoring and evaluating the various projects and programs undertaken by the National and County governments to aid the CoB's reporting function and improve budget implementation.

d) Legal Services Directorate

The Legal Services Directorate is headed by the Director, Legal Services, who reports to the Controller of Budget. The Directorate is responsible for formulating and implementing strategic legal frameworks for budget implementation and providing expert legal advice to the Controller of Budget to aid the delivery of the CoB mandate.

e) Internal Audit Department

The Internal Audit Department is headed by the Chief Internal Auditor, who reports administratively to the Controller of Budget but functionally to the Audit and Risk Committee. The Chief Internal Auditor is responsible for implementing and reviewing internal control systems and internal audit policies and procedures, aligned to the Internal Audit Charter and Plans. The Department also provides investigation services, assurance on the public debt, and Pensions and Gratuities requisitions for exchequer withdrawals.

f) Supply Chain Management Department

The Supply Chain Management Department is headed by the Chief Manager, Supply Chain Management. The Chief Manager reports to the Controller of Budget by statute. The Supply Chain Management Department is responsible for planning, coordinating, and managing the procurement of goods, works, and services in compliance with the Public Procurement and Asset Disposal Act, Cap 412C, and other applicable regulations. The Department prepares and implements annual procurement plans aligned to the approved budget, oversees tendering and contract management processes, and ensures value for money, transparency, and accountability in all procurement activities. It also manages stores and inventory, maintains accurate asset records, and oversees the lawful disposal of obsolete or unserviceable assets.

2.2 Administrative Structure

The Controller of Budget is assisted by the Deputy Controller of Budget and three Directors, ten Chief Managers, 47 County Budget Coordinators, and other staff cadres. The following committees contributed to enhancing OCoB's performance and delivery.

2.2.1 Executive Committee

The purpose of the Executive Committee is to oversee the Office of the Controller of Budget's overall performance and delivery. The Committee focuses on strategic leadership, management, and direction, as well as on effective resource prioritisation. Further, the Committee spearheads the development and implementation of policies and the OCoB Strategic Plan 2023-2027.

The Executive Committee is composed of the Controller of Budget, Deputy Controller of Budget, Directors, and any such members as may be co-opted on a need basis. The responsibility of the Executive Management Committee is to:

- i. Oversee the OCoB's overall performance by focusing on strategic leadership, management, and direction.



- ii. Ensure effective and efficient service delivery and prioritisation of resources.
- iii. Spearhead the development and implementation of policies and procedures.
- iv. Develop and monitor the performance of the OCoB Strategic Plan.
- v. Oversee the OCoB's organisation structure.
- vi. Oversee risk management in the organisation.
- vii. Provide direction on succession planning.
- viii. Promote stakeholders' engagements as provided in the OCoB Strategic Plan.

The committee's membership is shown in Table 5.

Table 5: Composition of Executive Committee

No	Designation	Name
1.	Controller of Budget	FCPA Dr Margaret Nyakang'o, CBS
2.	Deputy Controller of Budget	FCPA Stephen Masha, EBS
3.	Director, Legal Services	Dr Brian Mutie
4.	Director, Corporate Services	CPA Jacinta Masila

2.2.2 Management Committee

The Management Committee comprises the Controller of Budget, the Deputy Controller of Budget, Directors, and Heads of Departments. The Committee is tasked with reviewing the existing processes, including internal control systems, and making recommendations to enhance service delivery. It is involved in reviewing and recommending necessary policies to support the day-to-day operations of the office. Other functions of the Management Committee include:

- i. Establishing and reviewing strategic and operational plans for the OCoB.
- ii. Establishing policies/procedures that guide the operations of the OCoB and record decisions and actions on matters concerning the office.
- iii. Ensuring that all staff properly perform their tasks according to their job descriptions and further ensuring that the CoB mandate is executed correctly.
- iv. Ensuring that at all times, OCoB complies with the laws of Kenya in the discharge of its mandate.
- v. Ensuring that all finances are properly managed, that financial records are audited annually, and that the principles of Public Finance Management as articulated under Article 201 of the Constitution are adhered to.
- vi. Monitoring all OCoB activities and ensuring that feedback contributes to continuous improvement in governance and service delivery.

The Executive Committee and the Management Committee have the power to appoint subcommittees to assist in fulfilling the office's mandate. In performing their duties, the Committee members are guided by the organisation's policies and procedures, the Strategic Plan, and other legislation. The membership of the committee is shown in Table 6.

S/No.	Designation	Name
1.	Controller of Budget	
2.	Deputy Controller of Budget	FCPA Stephen Masha, EBS
3.	Director, Corporate Services	CPA Jacinta Masila
4.	Director, Legal Services	Dr Brian Mutie
5.	Chief Internal Auditor	CPA Joseph Tulula
6.	Chief Fiscal Analyst – County Government	CPA Dr Charles Njoroge
7.	Chief Fiscal Analyst – National Government	CPA Patrick Kamore
8.	Chief Fiscal Analyst – Parliamentary Liaison	CPA Mark Kipkoech
9.	Chief Manager, Planning, Research and Knowledge Management	CPA Patrick Kebiro
10.	Chief Manager, Information Communication and Technology	Ms. Judy Muli
11.	Chief Manager, Finance and Accounts	CPA Pamela Okatch
12.	Chief Manager, Human Resource & Admin	Ms. Irene Arimi
13.	Chief Manager, Public Relations and Corporate Communications	Mr Stephen Wangaji, OGW
14.	Chief Manager, Supply Chain Management	Mr Boniface Ikumu
15.	Chief Manager, Legal Services	Mr Waweru Tuti
16.	Personal Assistant to Controller of Budget	CPA Theodora Bosibori

2.2.3 Integrity Committee

The Integrity Committee has the mandate to promote integrity among the OCoB staff as they interact with all stakeholders. The committee designs and promotes anti-corruption initiatives in the operations of the office. The functions of the committee are to:

- Coordinate, formulate, and implement the Codes of Conduct and Ethics.
- Develop and review the Anti-Corruption Policy and integrity testing programme.
- Define whistleblower protection mechanisms and corruption reporting channels.
- Develop a corruption risk assessment and mitigation plan.
- Review performance targets.

The membership of the committee is shown in Table 7.

Table 7: Composition of the Integrity/ Corruption and Prevention Committee

S/No	Name	Role
1	FCPA Dr Margaret Nyakang'o, CBS	Chairperson
2	FCPA Stephen Masha, EBS	Member
3	Ms. Irene Arimi	Member
4	Ms. Judith Muli	Member
5	Mr Waweru Tuti	Member

6.	Mr Stephen Wangaji, OGW	Member
7.	CPA Mark Kipkoech	Member
8.	CPA Patrick Kamore	Member
9.	Mr Boniface Ikumu	Member
10.	CPA Pamela Okatch	Member
11.	CPA Joseph Tulula	Secretary

The OCoB has established corruption reporting channels, including the corruption reporting email, corruption-reporting@cob.go.ke, and the toll-free corruption reporting line (0800 720 141). The CoB has approved policies, manuals, and procedures in place and in use within all the directorates and departments.

2.2.4 Audit and Risk Committee

The Audit and Risk Committee is a committee appointed by the Controller of Budget (CoB) pursuant to Gazette Notice No. 2691 of April 15, 2016. It is responsible for monitoring and reviewing the integrity of the financial statements, through supporting the CoB by monitoring and reviewing the risk, control, and governance processes that have been established in the OCoB. This is achieved by introducing an independent perspective and a process of constructive challenge that supports the management to be fully assured that the most cost-effective control and governance processes are in place. The governance processes enhance the performance of the OCoB, and the Audit and Risk Committee takes an independent view of these processes.

The membership of the Audit and Risk Committee is composed of independent members who do not perform any executive functions of the OCoB. Consistent with this function, the Audit and Risk Committee should encourage continual improvement and should foster adherence to the organisation's policies, procedures, and best practices at all levels. The specific mandate of the committee is to;

- a. Drive the assessment and track the performance of the head of internal audit.
- b. Examine internal and external audit reports and recommendations after management's response to ensure action is taken.
- c. Place adequate mechanisms to enable the audit committee to facilitate adequate disposal of all PAC/PIC recommendations. This is done by following up to ensure positive action is taken.
- d. Communicate with the internal and external auditors on OCoB's performance. In its oversight role, the committee focuses on:
 - i. The changing business environment.
 - ii. The changing financial reporting requirements
 - iii. The audit findings, including comments on governance, risk, and controls
 - iv. The proposed audit scope, audit coverage, and approaches with respect to complex, high-risk, and judgment areas
 - v. The Management's response to specific audit recommendations.

The membership of the committee during the FY 2024/25 is as shown in Table 8.

Table 8: Composition of Audit and Risk Committee

S/No.	Name	Role
1.	Mr Karumba Kinyua	Chairperson
2.	CPA Joel Simiyu Walucho	Member
3.	CPA James Mwangi Resa	Member
4.	CPA Dr Mwenda Geoffrey Justus	Member
5.	Ms. Sharon June Akinyi	Member
6.	CPA Joseph Tulula	Secretary

The attendance schedule of the Audit and Risk Committee during the FY2024/25 is as shown in Table 9. The current Audit and Risk Committee took office on 1st February 2025.

Table 9: Attendance Schedule of the Audit and Risk Committee

S/No.	Name	12.03.2025	29.06.2025
1.	Mr Karumba Kinyua		√
2.	CPA Joel Simiyu Walucho	√	X
3.	CPA James Mwangi Resa	√	√
4.	CPA Dr Mwenda Geoffrey Justus	√	√
5.	Ms Sharon June Akinyi	√	√
6.	CPA Joseph Tulula	√	√

2.2.5 The OCoB Budget Implementation Committee

The Budget Implementation Committee is set up to ensure OCoB's resources are utilised in accordance with budgetary allocations and work plans. The Committee is charged with the responsibility of assisting the CoB in discharging its responsibility in the following areas:

- Review the actual departmental expenditures to determine the absorption of the budgeted activities and identify the reasons behind the non-utilisation of funds.
- Advise the Accounting Officer on any issues related to budget implementation.
- Review and recommend reallocations.
- Review the utilisation of donor funds.
- Review the commitments, including pending bills and recommend solutions.

Some of the achievements include preparing the OCoB Programme-Based Budget, the Sub-Sector report, and Performance Review Reports, preparing the Annual Budget Estimates, and participating in the Sector Working Group. This committee performs budget re-allocations, monitors and reports on departmental budgets and expenditures, and prepares Supplementary Budget Estimates and re-allocations.

The functions of the Committee entail the following: -

- Oversee the CoB budget implementation and regularly advise the Accounting Officer on the performance of the budget.
- Review and consider the cash flow plan.

- iii. Review the authorisation of cash limits and consider any change as may be required.
- iv. Review the utilisation of development partner funds in the CoB vote.
- v. Advise the CoB on any challenges relating to budget implementation.
- vi. Review and recommend the allocation of expenditures.
- vii. Review and approve the submission of the quarterly performance reports, the expenditure returns, Human Resource Information System (HRIS-Ke) reports, pending bills, and recommend action to be taken.

The membership of the committee for FY 2024/25 is shown in Table 10.

Table 10: Composition of Budget Implementation Committee

No	Name	Role
1.	CPA Jacinta Masila	Chairperson
2.	Dr. Brian Mutie	Vice Chairperson
3.	CPA Pamela Okatch	Member
4.	Mr Waweru Tuti	Member
5.	Ms. Irene Arimi	Member
6.	CPA Augustine Mburu	Member
7.	CPA Dr Charles Njoroge	Member
8.	CPA Stephen Otieno	Member
9.	Ms. Mary Owii	Member
10.	Mr Arthur Odongo	Member
11.	Ms. Hilda Moashem	Member
12.	CPA Judith Mainye	Member/Secretariat
13.	Mr Newton Kilinga	Member/Secretariat
14.	Mr Leonard Miinyan	Member/Secretariat

The attendance schedule of the committee over the FY 2024/25 is as shown in Table 11.

Table 11: Attendance Schedule of Budget Implementation Committee

S/No.	Name	12.08.2024	25.09.2024	12.10.2024	13.01.2025
1.	CPA Jacinta Masila		√	√	√
2.	Dr Brian Mutie	√	√		
3.	CPA Pamela Okatch	√	√	√	√
4.	Mr Waweru Tuti	√	√		√
5.	Ms. Irene Arimi		√	√	√
6.	CPA Augustine Mburu	√	√	√	√
7.	CPA Dr Charles Njoroge	√	√	√	√
8.	CPA Stephen Otieno	√		√	√
9.	Ms. Mary Owii		√	√	√
10.	Mr Arthur Odongo	√	√	√	√
11.	Ms. Hilda Moashem		√	√	√
12.	CPA Judith Mainye	√	√	√	√
13.	Mr Newton Kilinga	√	√		√
14.	Mr Leonard Miinyan	√	√	√	

2.2.6 Public Finance Management Standing Committee

The Public Finance Management Standing Committee provides strategic guidance to the office on public finance management matters. The Committee is charged with:

- i. Ensuring that there are adequate resources allocated to OCoB for the smooth implementation of the CoB mandate
- ii. Regularly reviewing, monitoring budget implementation, and advising on the OCoB's accounts, major capital expenditures, and reviewing performance and strategies every quarter
- iii. Identifying risks and implementing appropriate measures to manage such risks or anticipated changes impacting the OCoB
- iv. Review regularly the adequacy and integrity of the OCoB internal control, acquisition and divestitures, and management information systems, including compliance with applicable laws, regulations, rules, and guideline
- v. Establishing and implementing a system that provides necessary information to the stakeholders, including the stakeholder communication policy for the OCoB in line with Article 35 of the Constitution
- vi. Monitoring the effectiveness of the corporate governance practices under which the OCoB operates and proposing revisions as may be required, from time to time
- vii. Monitoring the timely resolution of audit issues; and
- viii. Any other matter referred to it from time to time by the responsible Cabinet Secretary, Parliament, the Judiciary, or Independent Offices and Commissions.

The membership of the committee over the FY 2024/25 was as shown in Table 12.

Table 12 Composition of Public Finance Management Committee

No	Name	Role
1.	FCPA Dr Margaret Nyakang'o, CBS	Chairperson
2.	FCPA Stephen Masha, EBS	Vice Chairperson
3.	Dr. Brian Mutie	Member
4.	CPA Jacinta Masila	Member
5.	CPA Pamela Okatch	Member
6.	CPA Augustine Mburu	Secretary

2.2.7 Human Resources Management Advisory Committee

The Controller of Budget has constituted a Human Resource Management Advisory Committee (HRMAC) that is tasked with the responsibility of advising the office on all human resource management issues as delegated to the committee. The functions of the Committee entail the following: -

- i. Identify, analyze and recommend available training opportunities to the CoB on suitable candidates (based on identified training needs) for various training programs organized locally and internationally.

- ii. Investigate and make recommendations to the CoB on disciplinary matters.
- iii. Discuss and make recommendations on existing HR policies to the CoB.
- iv. Discuss and make recommendations to the CoB on general staff welfare and motivation issues, among others.
- v. Promotion of Values and Principles of Public Service, and
- vi. In addition, the committee shall advise the CoB on the following:
 - a) Maintenance of the CoB staff establishment.
 - b) Recruitment and Selection.
 - c) Performance management.
 - d) Promotions.
 - e) Confirmation in appointment.
 - f) Training and Development.
 - g) Promotion of Values and Principles of Public Service.
 - h) Secondments and unpaid leave.
 - i) Issues of retirement.
 - j) Re-designations.
 - k) Discipline.

The membership of the committee over the FY 2024/25 was as shown in Table 13.

Table 13: Composition of Human Resource Management Advisory Committee

No	Name	Role
1.	CPA Jacinta Masila	Chairperson
2.	Dr Brian Mutie	Vice Chairperson
3.	CPA Pamela Okatch	Member
4.	Ms. Irene Arimi	Member
5.	Mr Stephen Wangaji	Member
6.	Mr Boniface Ikumu	Member
7.	Ms. Judith Muli	Member
8.	CPA Patrick Kamore	Member
9.	CPA Mark Kipkoech	Member
10.	Mr. Waweru Tuti	Member
11.	CPA Theodora Bosibori	Member
12.	Mr Leonard Miinyan	Secretary

The attendance schedule of the committee over the FY 2024/25 is as shown in Table 14.

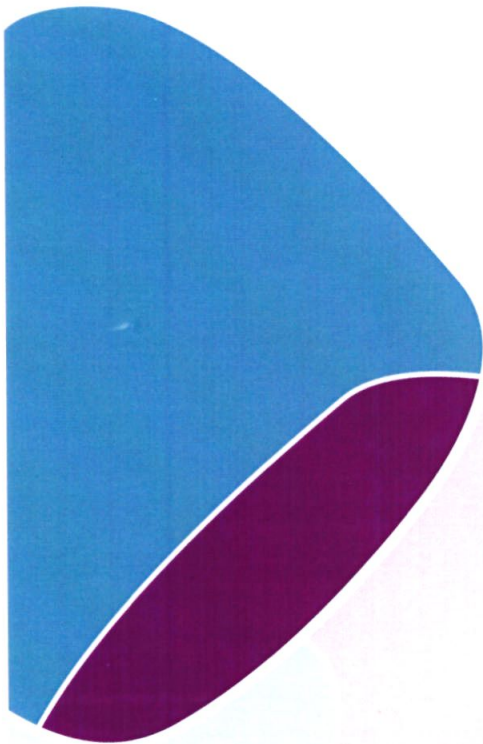
Table 14: Attendance Schedule for the Human Resource Management Advisory Committee

S/No.	Name	30/7/24	9/9/24	10/12/24	17/4/25	29/4/25	23/5/25
1.	CPA Jacinta Masila			√	√	√	√
2.	Dr Brian Mutie	√	√	√	√	√	√
3.	Ms. Irene Arimi		√	√	√	√	√
4.	CPA Pamela Okatch	√	√		√	√	
5.	Mr Boniface Ikumu		√	√	√	√	√
6.	CPA Mark Kipkoech	√	√	√	√	√	√
7.	Ms. Judith Muli			√	√		√
8.	CPA Patrick Kamore	√	√	√	√	√	
9.	Mr George Tuti	√	√				
10.	CPA Theodora Ochichi	√	√	√	√		√
11.	Mr Stephen Wangaji	√	√				
12.	Mr Leonard Miinyan	√	√	√	√	√	√



CHAPTER 3

DELIVERY OF THE COB MANDATE



DELIVERY OF THE COB MANDATE

The Controller of Budget (CoB) is mandated to oversee the implementation of budgets for the National and County Governments by authorising withdrawals from public funds under Articles 204, 206, and 207 of the Constitution, and to report on the implementation of these budgets to each House of Parliament every four months. The CoB's mandate is amplified under the Controller of Budget Act, 2016, the Public Finance Management (PFM) Act, 2012, and the attendant Regulations.

To support the implementation of its programme and activities, the office has one programme, the *control and management of the public finances programme*, and four sub-programmes: *Authorisation of Withdrawals from Public Funds*, *Budget Review and Analysis*, *Administration Support Services*, and *Research & Planning*.

This section analyses the activities implemented during the FY 2024/25 against the set targets.

3.1 Authorisation of Withdrawals from Public Funds

Under Article 228 (4) of the Constitution, the Controller of Budget has the mandate to oversee the implementation of the budgets of the National and County governments by authorising withdrawals from public funds. These funds include the Equalisation Fund (Article 204 (9)), the County Revenue Fund (Article 207 (3)), and the Consolidated Fund (Article 206 (4)). The CoB also has powers to authorise withdrawals from the Judiciary Fund (Article 173).

Article 228 (5) provides that the Controller of Budget shall not approve any withdrawal from a public fund unless satisfied that the withdrawal is authorised by law.

3.1.1 Exchequer Withdrawals from the Consolidated Fund

In line with Article 206 (4) of the Constitution, the Controller of Budget authorised the withdrawal of Kshs. 4,081.50 billion from the Consolidated Fund to support the implementation of the national and county government budget for FY 2024/25. The distribution of the exchequer issues is as shown in Table 15. The CoB also authorised the transfer of funds from the consolidated fund to other accounts, such as the consolidated fund services account, the County Revenue Fund, and the Judiciary fund, in line with the Appropriation Act, 2025.

3.1.2 Exchequer Withdrawals from the County Revenue Fund

The Controller of Budget authorised the withdrawal of Kshs. 486.99 billion from the County Revenue Fund to the County Government operational Accounts in line with Article 207 (3) of the Constitution, to support the operations of the County Governments. This amount comprised funds for recurrent expenditures and development activities.

3.1.3 Exchequer Withdrawals from the Consolidated Fund Services

During the period, the Controller of Budget authorised the withdrawal of Kshs. 1790.70 billion from the Consolidated Fund Services account to support Public Debt Service, payment of constitutional office holders, and payment of subscriptions to international bodies.

3.1.4 Exchequer Withdrawals from the Equalisation Fund

In FY 2024/25, the Equalisation Fund received Kshs.3.53 billion as disbursements from the Consolidated Fund and had a cash balance of Kshs.1.27 billion from FY 2023/2024. The receipts represented a jump by

472 per cent of the annual target of 747.88 million. The excess disbursement over the budget was attributable to the settlement of pending disbursement arrears for previous financial years.

The Controller of Budget authorised withdrawals of Kshs.3.45 billion from the Equalisation Fund in line with Article 204 of the Constitution. This amount comprised Kshs 394.30 million for Policy 1 development pending bills in favour of the Ministry of Water and Sanitation, Kshs.2.77 billion for the second policy development projects, and Kshs.256.20 million for the Equalisation Fund Secretariat's recurrent expenses.

3.1.5 Exchequer Withdrawal from the Judiciary Fund

The Judiciary Fund is established by Article 173(1) of the Constitution and administered by the Chief Registrar of the Judiciary. In FY 2024/25, two hundred-ninety-seven (297) requisitions were submitted to the CoB to approve the withdrawal from the Judiciary Fund, amounting to Kshs. 22.62 billion to the Judiciary Operational Accounts. Table 15 presents the total withdrawals from the public funds approved by the Controller of Budget during FY 2023/24 and FY 2024/25.

Table 15: Summary of Withdrawal Approved by the Controller of Budget (Kshs. Billion)

Name of the Fund/Vote	FY 2023/24	FY2024/25	Change
Consolidated Fund	1,675.12	1,777.74	102.62
: MDAs -Development	315.06	335.08	20.02
: MDAs - Recurrent	1,360.06	1,442.66	82.6
Consolidated Fund Services (CFS)	1,766.36	1,790.70	24.34
County Revenue Funds (CRFs)	451.21	486.99	35.78
Equalisation Fund	0.37	3.45	3.08
Judiciary Fund	22.42	22.62	0.2
Total Approvals	3,915.48	4,081.5	166.02

Source: Office of the Controller of Budget

3.2 Production and dissemination of Quarterly Budget Implementation Review Reports

Article 228(6) of the Constitution and Section 9 of the Controller of Budget Act, Cap 429, require the Controller of Budget to submit quarterly reports to each House of Parliament on the implementation of the budgets of national and county governments. The content of these Budget Implementation Review Reports (BIRRs) is guided by Section 9 of the Controller of Budget Act and includes information relating to:

- The approved budget,
- Total funds released by programme,
- The absorptive capacity of funds by project,
- Authorised withdrawals,
- Actual expenditures, and
- Receipts into the Consolidated Fund and all County Revenue Funds.

During FY 2024/25, the office produced a total of 8,867 copies of the quarterly Budget Implementation Review Reports (BIRRs) and distributed them to Parliament, County Assemblies, and other stakeholders. The reports comprised 4,800 copies of the national government's quarterly BIRRs and 4,067 copies of the county government's BIRRs. The reports ensure that Parliament, County Assemblies, and the public can access information on budget implementation at the National and County government levels. The reports are also posted on the OCoB website to enhance access for citizens.

3.3 Review of Planning and Budget Documents

The CoB regularly reviews the Planning and Budget Documents from the National and County Governments. This is to ensure they comply with the provisions of the PFM Act, Cap 412A, and other existing legislation. In the FY 2024/25, the CoB reviewed and submitted comments on the following documents: The 2025 Budget Policy Statement (BPS), the 2025 Budget Review and Outlook Paper (BROP), the County Budget Review and Outlook Papers (CBROP), the County Fiscal and Strategy Papers (CFSP), the Debt Strategy Management Papers (DSMP), the 2025 County Annual Development Plans (C-ADPs), and County Integrated Development Plans (CIDP).

The recommendations from the CoB were adopted by the National Treasury and County Treasuries in the preparation of final budget documents, which were then presented to Parliament and County Assemblies.

3.4 Provision of Advisories on Budget Implementation

The CoB has provided legal advice to ensure compliance with the relevant laws on the budget implementation process. During the FY 2024/25, the office issued several key legal opinions on the following areas:

- a) Legal implications and processes involved in altering budget estimates,
- b) Legal requirements for withdrawal of public funds,
- c) Legal requirements and considerations for implementing the County Governments Additional Allocations Act,
- d) Legal framework governing taxation of car reimbursement benefits for Members of the County Assembly,
- e) Provided clarification on the tax obligations and compliance requirements,
- f) Legal interpretation following a court order that halted the implementation of the second policy on the Equalisation Fund,
- g) Advice on the necessary steps to comply with the court's directives, management, and utilisation of unspent funds by the County Assembly,
- h) The legal processes for authorising expenditure through a vote on account and guidance on the legal requirements for the appointment of accounting officers within county governments.

3.5 Engagement with Members of Parliament

The CoB engaged with the following National Assembly Committees through presentations, meetings, submissions, and retreats, as shown in Tables 16 and 17.

Table 16: List of Presentations to the National Assemblies

S/No.	Committee	Topic Presented
1.	Public Debt Privatisation Committee	Consolidated Fund Services expenditures under the budget estimates for FY 2024/25 in May 2025.
2.	Budget & Appropriation Committee	Presentation of the National Government Budget Implementation Review Report for FY 2023/24 and 1st Quarter 2024/25 in November 2024. Statement regarding County Governments' Expenditure on Bursaries in May 2025.
3.	Finance and National Planning	Presentation on budget implementation & monitoring for the first half of FY 2024/25 in February 2025.
4.	Justice, Legal Affairs, and Human Rights	Inquiry into the operational and leadership crisis affecting the County Assembly of Nyamira in June 2025.
5.	Liaison Committee	Presentation on the Medium -Term Debt Management Strategy for the 2025/26 financial year in May 2025.
6.	National Cohesion and Equal Opportunity Committee	Report on OCoB compliance with Article 27 of the Constitution and the National Cohesion and Integration Act 2008. The report was prepared in April 2025.



Picture 2: The Controller of Budget FCPA Dr Margaret Nyakang'o CBS, addressing the National Assembly Budget and Appropriations Committee (BAC)

In addition, the office engaged with the following Senate Committees, as shown in Table 17.

Table 17: List of Presentations to the Senate Committees

S/No.	Committee	Topic Presented
1.	The Standing Committee on Finance and Budget	Report on Implementation of the Resolution of the Senate on Pending Bills in Counties. This was done in October 2024.
		Report on disbursement of funds to county governments in the absence of a County Allocation of Revenue Act for FY 2024/25. The report was submitted in October 2024.
		Presentation on the status of Public Debt in Kenya in November 2024.
		Submission of a report on the status of compliance by county governments with the Salaries and Remuneration Commission directives in May 2025.
		Submit a report on CoB comments and views on the 2025 Budget Policy Statement. The report was submitted in March 2025.
		Report on the extent of implementation of the automation of the National Government Requisitions. The report was done in March 2025.
2.	Report to the Clerk of the Senate	Submission of Memoranda on the Constitution of Kenya (Amendment) (No.2) Bill, 2014 (Senate Bill No.46 of 2024. This was submitted in October 2024.
3.	County Public and Investment Committee (CPIC)	Presentation on gaps in legislation that hinder oversight and accountability, and possible proposals for amendment in April 2025.
4.	County Public Accounts Committee (CPAC)	Presentation during the Senate mid-term assessment planning retreat. CoB was a panellist discussing accountability and oversight of resources, and sharing experiences from CPAC & CPIC in January 2025.
5.	Standing Committee on Information, Commerce, and Technology	Response to a statement on automation and digitisation of OCoB processes in March 2025.
6.	Standing Committee for Devolution and Intergovernmental Relations	A report on legal fees paid and owed by the County executive and County Assemblies in October 2024.
7.	Committee on Delegated Legislation	Submission of the draft OCoB Regulations under the CoB Act, CAP 429, for pre-publication scrutiny. Submission was done in March 2025.



Picture 3: The Controller of Budget, FCPA Dr Margaret Nyakang'o CBS, addressing the Finance and Budget Committee of the Senate

In addition, the office provided information to both Houses of Parliament and the public as follows:

- i. The National Dialogue Committee on the rising cost of living.
- ii. Attended a consultative meeting with the Parliamentary liaison officers in Mombasa
- iii. Made a presentation on invitation by the Parliamentary Budget Office during the benchmarking visit from Nigeria.
- iv. Submitted the budget performance report for Meru County upon request by the Deputy Speaker of the Senate.
- v. Made a report to the Senate County Public Investment Funds on the Special Funds.
- vi. Made comments on the County Public Finance amendment laws.
- vii. Prepared a report on County revenue collection management systems.
- viii. Presented a report on Emergency funds for Marsabit County.
- ix. Attended a retreat with the parliamentary liaison Committee in Uasin Gishu and made a presentation.
- x. Attended a retreat with the County Public Accounts Committee in Mombasa and made a presentation.
- xi. Provided information on the budget allocations to various projects for Turkana County,
- xii. Provided information on variation caused by the SHIF, AHL, and NSSF.

3.6 Public Education and Sensitisation

To promote access to information on budget implementation in line with Article 35 of the Constitution, the Office continued to collaborate with various stakeholders to expand access to information at the national and county government levels. During the FY 2024/25, the Office of the Controller of Budget leveraged several public sensitisation opportunities to enhance public awareness of its mandate. Key activities included participation in professional and stakeholder forums and exhibitions, notably the Association of Women Accountants in Kenya (AWAK) Adopt-a-Forest Programme in Kakamega Forest, where the OCoB set up an exhibition stand and disseminated budget reports and Information Education and Communication (IEC) materials.

Additionally, the Controller of Budget carried out extensive media and public engagements, including radio and television talk shows, delivery of structured keynote speeches, participation in workshops and seminars, implementation of school and college sensitisation programmes, active social media engagements, stakeholder forums, and the production and dissemination of various statutory reports. Through these platforms, the CoB simplified technical budget information, empowered citizens to assess government performance in service delivery and development, and promoted transparency and accountability.



Picture 4: The Controller of Budget, FCPA Dr Margaret Nyakang'o, presents copies of the Budget Implementation Review Reports (BIRRs) to the First Lady of Kakamega County, Prof. Janet Barasa, during the Adopt a Forest Initiative in Kakamega.

3.7 Anti-Corruption initiatives

The OCoB has made remarkable strides in promoting ethical practices by instituting anti-corruption measures in its operations as provided in the Ethics and Anti-Corruption Commission Act, Cap 7H. Key achievements recorded over the reporting period include:

- i. Establishment of the Integrity Committee,
- ii. The Formulation and implementation of Codes of Conduct and Ethics, Anti-Corruption Policies, Integrity Testing Programmes, development of the Whistle Blowers Protection policy and Corruption Risk Assessment and Mitigation Plan, establishment of Corruption reporting channels, development of the Customer service delivery charters, and the revision of the Human Resource Manuals.

3.8 Monitoring and Evaluation of Projects and Program Implementation

Section 5(b) of the Controller of Budget Act, 2016, requires the Controller of Budget to ensure the prudent and efficient use of public funds by, among other functions, monitoring, evaluating, reporting, and making recommendations to the National and County governments on measures to improve budget implementation.

During a monitoring and evaluation exercise, the Controller of Budget verifies whether the National and County governments are implementing programmes in accordance with the approved budgets at the beginning of the financial year and provides appropriate advice whenever there are deviations between actual programme implementation and the budgeted programmes. During the period under review, the Office of the Controller of Budget (OCoB) conducted monitoring and evaluation field visits in 36 of the 47 County governments to assess the progress of budget implementation.

The following Counties were visited during the monitoring and evaluation exercises: Garissa, Lamu, Tana River, Kitui, Machakos, Makueni, Mandera, Wajir, Baringo, Turkana, West Pokot, Kajiado, Narok, Bomet, Tharaka-Nithi, Embu, Isiolo, Meru, Laikipia, Nyandarua, Samburu, Trans Nzoia, Elgeyo/Marakwet, Marsabit, Kisii, Nyamira, Kwale, Mombasa, Taita Taveta, Kiambu, Murangá, Kirinyaga, Nakuru, Uasin Gishu, Bungoma, and Nairobi City.

The objectives of the monitoring and evaluation included:

- i. Assess the levels of compliance with the law and government policy on public sector wage bill management.
- ii. Establish the management and status of pending bills by County governments.
- iii. Assess the administration, management, and performance of Own Source Revenue (OSR) by County governments
- iv. Monitor compliance with laws relating to the establishment and operations of Public Funds established by the County government.
- v. Assess the status of implementation of the Facilities Improvement Financing Act, 2023.
- vi. Assess compliance with the law on the banking arrangements.
- vii. Assess criteria for procurement of medical drugs and supplies
- viii. Unbundle and classify expenditures under "Other Operations and Maintenance" for improved transparency and accurate reporting; and

- ix. Verify the status of implementation of projects funded under the Equalisation Fund.
- x. Determine the extent to which the projects funded in FY2024/25 have been implemented according to the planned timelines and budgets.



Picture 5: Controller of Budget FCPA Dr Margaret Nyakang'o briefs Uasin Gishu County Executive Officers, joined by CEC Finance Mr Micah Rogony

The following were some of the key findings from the monitoring and evaluation exercises:

1. Compliance with the Law on Public Sector Wage Bill Management

The National Wage Bill Conference held in 2024 resolved that the County Executive Committee Member (CECM) for Public Service should refine strategies and action plans to achieve a wage bill-to-revenue ratio of 35 per cent. These strategies and action plans were to be submitted to the County Executive Committee (CEC) by 30th June 2024 for approval. The Controller of Budget was tasked with progressively monitoring and ensuring that the provision of Personnel Emolument does not exceed the 35 per cent threshold by 30 June 2028.

However, during the monitoring and evaluation visit, it was established that Counties have not developed the wage bill action plans and submitted them to the Controller of Budget for monitoring implementation.

The Controller of Budget, therefore, recommended that the County Executive Committee Member responsible for Public Service expedite the development of the wage bill action plans and submit them to the

CECs for approval. The Action Plans should have a clear timeline with measurable milestones and should be submitted to the office of the Controller of Budget for monitoring over time.

During the exercise, OCoB found that salaries and allowances for some staff were paid through manual systems prone to errors and abuse. The reasons cited for the use of manual systems included delays in acquiring payroll numbers for new staff, short-term contracts issued to some employees, and high staff turnover, especially among partisan staff attached to Members of County Assemblies. Additionally, retired staff whose salary reviews were approved but not implemented before their exit are allowed to claim their pensions, which are processed manually. These statutory payments cannot be processed through the Human Resource Information System (HRIS).

To address this issue, Counties were advised to liaise with the Directorate of Human Resource Information Services under the Ministry of Public Service and Human Capital Development to explore integrating these statutory payments into the HRIS. Further, the Controller of Budget issued a Circular to Counties, notifying them that exchequer requisitions for salaries and allowances for staff on manual payroll would not be approved as from FY2025/26.

2. Status of Settlement of Pending Bills

Regulation 41 (2) of the Public Finance Management (County Governments) Regulations, 2015, requires prioritising debt service payments. Despite this legislative requirement, Counties continued to accumulate pending bills beyond the settlement periods. As of June 30, 2025, County Governments reported outstanding pending bills totalling Kshs. 176.90 billion. This amount includes Kshs.126.86 billion for recurrent activities, and Kshs.50.05 billion for development activities.

During the monitoring exercise, the CoB sought to establish reasons for the delays in settling pending bills and measures put in place to address the issue. Some of the reasons cited included overestimation of own-sourced revenue, creation of hidden deficits in the budget, artificial delays in the verification of ineligible pending bills, ongoing litigation, and low cash flows attributed to delayed disbursement of funds by the National Treasury.

To address this issue, the Controller of Budget recommended that Counties ensure their own-sourced revenue estimates are realistic to avert hidden deficits in their budgets. Further, Counties are required to expedite the verification of ineligible bills so they can be factored into the budget. Counties were also instructed to submit pending bill payment plans and periodic progress reports to the Controller of Budget for monitoring.

a) Accumulation and Delayed Settlement of Pending Bills

The assessment established that in many Counties, significant pending bills have accumulated for medical commodities already supplied but not yet paid for. In numerous cases, only partial payments have been made, leaving substantial outstanding balances. This includes considerable unpaid obligations to the Kenya Medical Supplies Authority (KEMSA), which remains the principal supplier of affordable essential medical commodities to County public health facilities. The prolonged delays in settling these obligations had strained working relationships with KEMSA and other suppliers, eroded supplier confidence, and led to non-responsive bids during open tendering processes for the supply of medical commodities. This posed serious threats to the continuity of health service delivery due to potential supply chain disruptions and the risk of stockouts in health facilities.

County Governments were advised to fast-track the verification and complete settlement of all pending bills for medical commodities, including outstanding obligations to KEMSA, to restore supplier confidence and maintain stable supply chains for essential medical supplies. Counties should ring-fence dedicated budget allocations for clearing these arrears in the next budget cycle and adopt phased payment schedules where necessary. Further, County Treasuries and Health Departments should strengthen financial management practices to prevent the accumulation of new pending bills by enforcing timely billing reconciliation, robust commitment controls, enhanced cash flow planning, and clear communication with key suppliers such as KEMSA.

3. Assessment of the Performance of Own-Source Revenues

Article 209(3) of the Constitution allows County Governments to generate own-sourced revenue (OSR) by imposing (i) property taxes, (ii) entertainment taxes, and (iii) any other tax authorised by Parliament to augment the other resources available for budget implementation. While OSR is a vital source of revenue for Counties to finance their budgets, County governments have continued to face challenges in local revenue collection since the advent of devolution. During the reporting period ending 30th June 2025, County Governments generated a total of Kshs. 67.30 billion from their own-source revenue (OSR), which was 77 per cent of the annual target of Kshs. 87.67 billion. Poor OSR performance has been cited as a significant cause of the accumulation of pending bills.

The monitoring and evaluation exercises highlighted persistent weaknesses that continue to undermine the effective administration and performance of Own Source Revenue (OSR) across Counties. These challenges are clustered under four key thematic areas as follows:

a) Continued Use of Inefficient Manual Collection Systems

Several Counties still rely on manual revenue collection methods. Manual systems are prone to leakages, underreporting, and fraud due to weak controls and limited real-time oversight. In some cases, revenue automation efforts have stalled or not been fully implemented, resulting in fragmented systems that fail to cover all revenue streams comprehensively.

County Governments were advised to prioritise the complete automation of all revenue streams by implementing robust, integrated digital systems that ensure efficient, transparent, and real-time collection, reconciliation, and reporting.

b) Outdated Taxpayer Registers and Valuation Rolls

The assessment found that many Counties operate with outdated or incomplete taxpayer databases and valuation rolls. Failure to regularly update these records undermined accurate billing, collection, and expansion of key revenue sources such as property rates, leading to systematic under-collection.

Counties were advised to regularly update and maintain comprehensive taxpayer registers and valuation rolls to assess and collect all potential revenues accurately, and to broaden the OSR base sustainably.

c) Weak Enforcement and Compliance Monitoring

Enforcement of revenue laws and compliance monitoring remains weak in several Counties. Penalties for non-compliance are either unclear or poorly enforced, contributing to widespread defaults and low

collection efficiency. This was compounded by capacity gaps among revenue staff and the absence of modern tools and standard procedures.

County Treasuries were advised to strengthen enforcement of revenue laws by instituting clear penalties for defaulters, enhancing compliance monitoring frameworks, and investing in capacity building and modern tools for revenue staff.

d) Weak Internal Controls and Accountability

Fragmented revenue streams, heavy reliance on cash handling, and poor reconciliation practices exposed County collections to misuse and misappropriation. Delays in banking daily collections and weak oversight mechanisms further increased the risk of leakages and revenue loss.

Counties were advised to minimise cash handling by adopting cashless payment solutions, ensuring timely banking of daily collections, implementing robust reconciliation procedures, and establishing strong internal controls to safeguard public funds and ensure accountability, in line with the Public Finance Management Act.

e) Unexploited Own Source Revenue Potential

The monitoring and evaluation exercises noted that despite the significant revenue potential estimated by the Commission on Revenue Allocation (CRA), most Counties continued to collect far below their capacity. According to the CRA Comprehensive Own Source Revenue Potential and Tax Gap Analysis(2022), it estimates that Counties have the potential to generate approximately Kshs. 250 billion per year in Own Source Revenue (OSR). However, the actual OSR collected by the County Governments during the FY 2024/25 was Kshs. 67.30 billion, representing 76.8 percent of the annual target of Kshs. 87.68 billion. The CRA study models the maximum realistic revenue counties could raise if best practices in valuation, rates, administration and compliance were applied. The difference between the CRA and what is actually collected in FY 2024/25 points to a very large implementation gap in revenue mobilisation at county level.

The CRA studies highlight that most Counties rely heavily on a few traditional revenue streams, such as property rates, single business permits, market fees, and parking fees. At the same time, substantial opportunities in other areas remain largely untapped. These include land rates, outdoor advertising, natural resource cess, quarry royalties, entertainment taxes, liquor licensing, and returns from County-owned assets like markets, bus parks, and leased land. In addition, potential local levies on emerging economic activities such as regional tourism, fish landing sites, mining, and solid waste management remain underexploited.

The underutilization is mainly due to outdated valuation rolls, incomplete asset registers, weak enforcement, minimal innovation, and limited capacity for forecasting, monitoring, and modern revenue administration. This left the Counties heavily dependent on national equitable share transfers, constraining their fiscal autonomy and limiting local development investments.

Counties were advised to diversify their OSR base by operationalising non-traditional streams, such as outdoor advertising, natural resource royalties, quarry fees, and local tourism levies, and to back them with updated legislation and enforcement.

4. Compliance with the Law on the Management of County Public Funds

Section 110 of the PFM Act, 2012 grants power to the CECM Finance to establish a County Emergency Fund to facilitate urgent and unforeseen needs for expenditure for which there is no specific legislative authority. Further, Section 116 of the PFM Act, 2012 allows County Governments to establish public funds with their lifespan capped at 10 years unless extended by the County Assembly.

The following issues were noted during the monitoring and evaluation exercises

a) Legal Tenure of County Public Funds

Regulation 197(1)(e) of the Public Finance Management (PFM) Act stipulates that the initial establishment of any County Public Fund shall be approved for a maximum of ten (10) years. Upon the lapse of this period, continued existence and operation require fresh authorisation from both the County Executive Committee and the County Assembly. The monitoring and evaluation exercises revealed that several County Public Funds had already exceeded their legally approved tenure without renewal. This situation poses profound legal and operational implications regarding the legitimacy of ongoing transactions and withdrawals from these funds. Without timely renewal, such funds operate outside the prescribed legal framework, exposing them to potential legal challenges and placing the Controller of Budget in a position to withhold approvals for further disbursements until compliance is restored.

The County Executive Committee Members (CEC) for Finance were advised to urgently seek the requisite approvals from the County Executive Committee and the County Assembly to either formally renew or wind up funds whose tenure has expired, in line with the provisions of the PFM Act.

b) Non-Compliance with Reporting Requirements for County Public Funds

The assessments further revealed that administrators of certain County Public Funds had failed to submit the statutory quarterly financial reports as required under Section 168 of the PFM Act, 2012. This legal provision mandates all fund administrators to prepare and submit quarterly financial and performance reports to the Controller of Budget to ensure transparency, accountability, and effective oversight of public resources. Failure to submit these reports has led to the exclusion of the affected funds from the County Budget Implementation Report for the financial period ending December 2025, thus undermining oversight efforts, limiting transparency on resource utilisation, and increasing accountability risks.

The County Treasuries, in collaboration with fund administrators, were advised to strengthen enforcement of statutory reporting requirements by establishing robust internal controls and monitoring systems. Timely and accurate submission of quarterly financial reports should be prioritised to uphold legal compliance, enhance accountability, and promote prudent management of public funds.

c) **Non-Performing Loans of Revolving Funds**

The reviews further established that several revolving funds had continued to struggle with significant levels of non-performing loans, as many beneficiaries have not met their repayment obligations. Persistent defaults had weakened the sustainability of revolving funds by depleting the pool of resources available to support new beneficiaries. The trend threatens to erode public trust and diminish the effectiveness of these critical socio-economic empowerment programs, which are designed to promote financial inclusion and community development.

County Governments were advised to reinforce loan recovery strategies by developing clear and enforceable follow-up procedures, conducting beneficiary awareness and sensitisation campaigns on repayment obligations, and embedding credit risk assessments into the loan approval process. Moreover, partnering with financial institutions could help improve loan tracking, enhance recovery rates, and strengthen overall sustainability.

d) **Establishment of Bursary Funds for Secondary, Tertiary and University Education — A Constitutional and Legal Misalignment**

The monitoring and evaluation exercises found that some County Governments had continued to allocate substantial amounts to Bursary Funds to support needy students, especially in secondary schools. While well-intentioned, this practice raises critical constitutional and legal concerns regarding the division of functions between the two levels of government as defined under the Fourth Schedule of the Constitution of Kenya, 2010.

According to the Fourth Schedule of the Constitution, the national government is assigned responsibility for education policy, including primary, secondary, and tertiary education. At the same time, County Governments are mandated to handle pre-primary education, village polytechnics, homecraft centres, and childcare facilities. By extension, the funding of secondary school bursaries is constitutionally a national government function implemented through bodies such as the Ministry of Education's Constituency Bursary Scheme and the National Government Constituencies Development Fund (NG-CDF).

Furthermore, allocating scarce County resources to functions constitutionally assigned to the national government diverts funds away from core devolved functions such as early childhood education, vocational training, health services, water, and agriculture, areas where Counties are best placed to impact local communities directly.

County Governments were advised to align their bursary interventions within their constitutionally assigned mandates. The CEC Members for Finance, in collaboration with the County Assemblies, were further advised to review all existing bursary schemes to ensure that County resources are channelled strictly towards devolved education functions such as Early Childhood Development Education (ECDE) and village polytechnics. Additionally, County Governments should work with the Ministry of Education and NG-CDF offices to strengthen coordination and complementarity in supporting needy students within the framework of the

national government's secondary school bursary programs. Any existing bursary schemes that fund secondary education contrary to the law should be restructured or wound up in compliance with the Constitution and the relevant High Court rulings.

5. Assessment of the Implementation of the Facilities Improvement Financing Act, 2023

The monitoring and evaluation exercises assessed the status of implementation of the Facilities Improvement Financing Act, 2023, which was enacted to strengthen the management, retention, and utilisation of revenue generated by public health facilities to enhance service delivery at the County level. The assessments established that, despite the Act providing a clear legal and institutional framework, its full operationalisation remains constrained by several systemic and administrative challenges. These challenges included delays in the issuance and alignment of subsidiary regulations, limited awareness of statutory reporting requirements among facility in-charges, inadequate dissemination of implementation guidelines, and capacity constraints at both facility and County levels, which collectively have impeded compliance with the Act's provisions, weakening accountability mechanisms, and constraining the effective management and utilisation of facility-generated revenue as envisaged under the Act.

County Governments were advised to expedite the development, harmonisation, and gazetting of all subsidiary regulations and implementation guidelines required under the Facilities Improvement Financing Act, 2023. In addition, the County should undertake structured capacity-building and sensitisation programmes targeting facility in-charges and County health and finance officers to enhance awareness and compliance with statutory reporting and accountability requirements. These measures should be complemented by strengthening financial management and reporting systems at the facility and County levels to ensure adequate retention, transparent utilisation, and oversight of facility-generated revenue, in line with the objectives of the Act.

a) Incomplete Operationalisation of Regulations

Although the FIF Act, 2023, had been enacted, some Counties had yet to finalise and operationalise the supporting regulations and guidelines necessary for effective implementation. Incomplete regulations create legal and procedural gaps, resulting in inconsistent practices across facilities and Counties.

County Governments were advised to expedite the finalisation, approval, and dissemination of FIF regulations and guidelines to provide a clear legal and operational framework for all stakeholders.

b) Weak Reporting and Accountability Mechanisms

The assessments revealed that in several Counties, the facility-in-charge did not consistently prepare and submit the required financial and performance reports as stipulated under Section 18(e) of the FIF Act. Non-compliance with these reporting requirements undermines transparency and accountability in the use of retained facility-generated funds and limits oversight by County Treasuries and the Controller of Budget.

County Treasuries, in collaboration with the County Health Departments, were advised to strengthen internal controls to ensure all facility-in-charge submit timely, accurate financial and performance reports in full compliance with the Act.

c) Poor Capacity and Awareness Among Facility Managers

In some Counties, health facility managers and committees lacked adequate knowledge of the

provisions and obligations under the FIF Act. Limited capacity and awareness hinder proper implementation, financial management, and adherence to statutory requirements.

County Governments were advised to conduct comprehensive training and sensitisation for facility-in-charges, health management committees, and other relevant staff on the requirements of the FIF Act, financial management best practices, and reporting obligations.

d) Weak Financial Controls

The assessments noted gaps in internal financial controls at the facility level, including poor banking practices, weak reconciliation processes, and limited segregation of duties. These weaknesses increase the risk of revenue misuse, underreporting, or fund diversion.

Counties were therefore advised to put in place robust financial management systems and standard operating procedures (SOPs) to strengthen revenue collection, banking, reconciliation, and expenditure controls at all health facilities.

e) Limited Integration with Integrated Financial Management Systems

In some instances, facility-level collections and expenditures were not fully integrated with the County Integrated Financial Management Information System (IFMIS). This disconnect hampered real-time tracking, consolidated reporting, and oversight by County Treasuries and the Office of the Controller of Budget.

Counties were advised to ensure that all FIF revenue streams and expenditures are fully linked and reconciled within the IFMIS framework to promote transparency, real-time reporting, and compliance with the Public Finance Management Act.

f) Persistent Delays in the Reimbursement of Unpaid Social Health Authority and NHIF Claims

The monitoring and evaluation exercises found that many Counties continued to experience persistent delays in reimbursing claims lodged with the Social Health Authority (SHA) — formerly the National Hospital Insurance Fund (NHIF) — for services rendered to insured patients at County public health facilities. Despite health facilities providing covered services and submitting valid claims, outstanding payments by the SHA and legacy NHIF debts remained substantial and unresolved in many Counties.

These prolonged delays in claim settlements severely undermined cash flow for public health facilities, restricting their ability to purchase essential medical supplies, pay suppliers on time, and meet other operational costs. The resulting funding gaps compromised the continuity and quality of critical healthcare services, weakened service providers' motivation, and eroded patients' confidence in public health insurance schemes. This situation also created a knock-on effect, increasing reliance on irregular supplementary funding or the accumulation of pending bills at the facility and County levels.

County Governments, through their Departments of Health and Finance, were advised to proactively engage the Social Health Authority (SHA) to fast-track the verification, approval, and settlement of all outstanding claims, including legacy NHIF debts. Counties should also put in place robust internal systems for timely claim preparation, accurate documentation, and prompt submission to minimise avoidable delays. Additionally, the Council of Governors should escalate dialogue with the SHA and the National

Treasury to address systemic backlogs and to institute clear timelines for claim reimbursements, ensuring sustained cash flow for health facilities and uninterrupted delivery of quality healthcare services.

6. Assessment of Compliance with the Law on County Banking Arrangements

The monitoring and evaluation exercise reviewed the extent to which County Governments complied with Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, which expressly requires the County Treasury to submit to the Controller of Budget a copy of the letter authorising an Accounting Officer to open a commercial bank account for County operations.

The assessment established that while Counties routinely opened and operated commercial bank accounts to facilitate specific operational transactions, many County Treasuries had not consistently submitted the required authorisation letters to the Controller of Budget. In some cases, Counties operated multiple commercial bank accounts without evidence of formal authorisation or without notifying the Controller of Budget as mandated by the PFM regulations. Non-compliance with this requirement undermines transparency and oversight over County banking arrangements and increases the risk of operating unauthorised or redundant accounts that may be susceptible to misuse or misappropriation of public funds.

County Treasuries were advised to ensure compliance with Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, by ensuring that for every commercial bank account opened under their mandate, a copy of the letter authorising the relevant Accounting Officer is promptly submitted to the Controller of Budget for records and oversight. Counties should also undertake a comprehensive audit of all existing bank accounts to confirm that each has the necessary approval documentation on file and to regularise any accounts operating outside the legal framework or close them if they do not comply.

7. Criteria for the Procurement of Medical Drugs and Supplies

The monitoring and evaluation exercise reviewed the status of procurement of medical drugs and supplies across Counties, focusing on adequacy of budgetary provisions, settlement of pending bills, and outstanding payments to key suppliers such as the Kenya Medical Supplies Authority (KEMSA).

a) Inadequate Budget Provision for Health Commodities

In several Counties, budget allocations for procurement of essential medical drugs and supplies were found to be insufficient when compared to the actual needs of public health facilities. For instance, a review of select Supplementary Budgets for FY 2024/25 showed that while Counties made provisions for health commodities, these allocations often fell short of the estimates required to meet morbidity workload data and the specific supply needs of primary healthcare facilities. This mismatch has constrained timely procurement and the steady availability of critical health commodities in public hospitals, increasing the risk of stockouts and interruptions in essential health services.

County Governments, through the CEC Members for Finance and Health, were advised to prioritise the use of up-to-date morbidity and workload data when preparing health sector budgets. Evidence-based estimates should guide resource allocation to ensure adequate funding for the procurement of medical commodities and secure consistent supply chains in all health facilities.

8. Unbundling of Expenditures under 'Other Operations and Maintenance'

The monitoring and evaluation exercises included desktop reviews of the County Governments' budget implementation reports. They revealed that many Counties continued to report significant expenditures under a broad category labelled 'Other Operations and Maintenance'. This practice results in limited disclosure and reduces the level of transparency required for effective oversight and public accountability.

The assessments found that when this category is unbundled, it includes diverse and material items such as solid waste management services, legal fees, hire of heavy equipment, and payments to Community Health Promoters. Grouping these varied expenditures under a single, vague line-item masks the actual use of public resources and makes it difficult for oversight institutions, stakeholders, and the public to understand, track, and evaluate spending priorities. This lack of detailed disclosure compromises the principles of openness and accountability in public financial management. It complicates expenditure tracking, thereby creating opportunities for inefficiencies, misuse, or misreporting of County funds.

County Governments were advised to strengthen budget formulation, reporting, and disclosure practices by fully unbundling the 'Other Operations and Maintenance' expenditure category into clear, specific budget lines that accurately reflect the nature of the goods and services being procured. This will promote greater transparency, enhance expenditure tracking, and support more effective oversight by the Controller, of Budget, County Assemblies, and the public.

9. Status of Implementation of Projects Funded under the Equalisation Fund

The Equalisation Fund was established under Article 204 of the Constitution of Kenya to fast-track development in marginalised areas by financing programmes that provide essential services such as water, roads, health facilities, and electricity — aimed at raising the standard of living in these regions to the level generally enjoyed by the rest of the country. Specifically, Article 204 mandates that 0.5 per cent of all revenue collected by the National Government each year, based on the most recent audited accounts approved by the National Assembly, be set aside to uplift marginalised areas.

Despite this clear constitutional framework, the implementation of the Equalisation Fund continues to face persistent challenges that undermine its intended impact. In FY 2024/2025, the Controller of Budget authorised a total of Kshs.3.45 billion from the Equalisation Fund. This amount comprised Kshs 394.30 million for Policy 1 development pending bills in favour of the Ministry of Water and Sanitation, Kshs.2.77 billion for the Second Policy development projects, and Kshs.256.20 million for the Equalisation Fund Secretariat's recurrent expenses.

However, despite these disbursements, gaps remain in the availability of information on the actual status and impact of funded projects on the ground. Concerns persist about the effectiveness of implementation and whether these interventions are sufficiently bridging the service delivery gap as envisioned. A field monitoring and evaluation exercise was therefore undertaken to assess progress, verify results against disbursed funds, and identify administrative or operational barriers impeding the Fund's effectiveness in promoting inclusive development.

The exercise revealed several specific issues, each requiring targeted intervention as outlined below:

a. Limited Capacity of the Project Identification and Implementation Committee

The Project Identification and Implementation Committees, which play a critical role in the planning and execution of Equalisation Fund projects, require targeted capacity building and training to discharge their mandate effectively. Inadequate technical and managerial skills within the Committees have contributed to weak project planning and oversight.

The Counties were advised to organise structured training and continuous capacity-building programmes for members of the Project Identification and Implementation Committee. This would equip them with the necessary technical, financial, and project management skills required to effectively plan, appraise, and oversee development projects, ensuring better delivery of results and value for money.

b. Lack of Budget for Surveys and Feasibility Studies

In some cases, the costs of conducting surveys and feasibility studies had not been factored into the initial project budgets. This oversight compromised the project design and hindered effective implementation, as critical baseline data and technical assessments were absent during planning.

Counties were advised to ensure future project budgets include adequate provisions for preliminary activities such as surveys and feasibility studies. Incorporating these elements would ensure that project designs are evidence-based, technically sound, and aligned with community needs and available resources, thereby improving the likelihood of successful, sustainable implementation.

c. Inadequate Budgets for Public Participation

The Project Identification and Implementation Committees had not been allocated dedicated budgets to facilitate meaningful public participation during the project identification phase. This limited the extent of stakeholder engagement, reduced community ownership, and may have led to the selection of projects misaligned with local priorities and needs.

The County Governments were advised to allocate specific budgets to the Project Identification and Implementation Committee to enable robust and inclusive public participation during the project identification and planning phases. Engaging communities early and adequately ensures that selected projects reflect genuine local priorities, enhances transparency, and fosters community buy-in, which is critical for the sustainability and success of funded interventions.

The following projects were implemented using the Equalisation Fund:-

i) Proposed Borehole Drilling and Capping at Banita Secondary School

The project involved drilling and capping a borehole at Banita Secondary School in Soin Ward, Nakuru County, to provide clean water to both the school and the Banita Settlement Scheme community. The contract sum was Kshs. 3.19 million, fully paid from the County's development budget, as the project was completed before the release of Equalisation Funds.

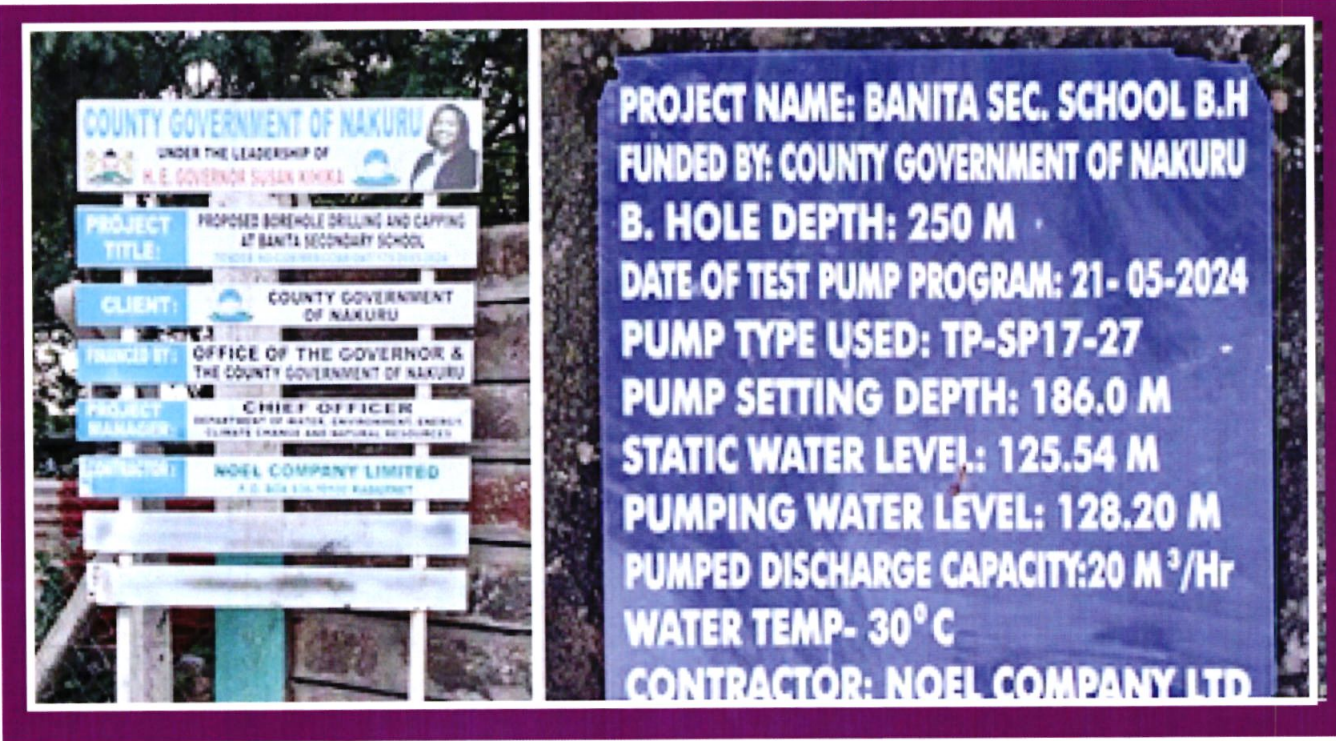
A monitoring visit by the OCoB team to the school found that a proper survey was conducted and drilling occurred between 10th and 30th May 2024. The school board managed the project in the absence of a formal committee. Further, the publicity signboard incorrectly identified the

project as a county-funded initiative, whereas it was financed through the Equalisation Fund. This misrepresentation undermines transparency and may mislead stakeholders regarding the source of funding.

Currently, the school relies on a seasonal river and purchases water during dry periods. Once fully operational, the borehole is expected to benefit approximately 2,000 households, including Banita Secondary and Primary schools, and the Banita trading centre. However, the project has not yet achieved its full objective, as only drilling and capping were completed.

To ensure full potential, priority should be given to solarising the pumping system based on local energy access and maintenance capacity. Additionally, storage and distribution infrastructure, such as elevated tanks and piping networks, is essential for a consistent water supply. Community training on maintenance, basic repairs, and water management is also critical to avoid project abandonment. Long-term monitoring, including periodic water-level checks, pump servicing, and water-quality assessments, is necessary to ensure continued functionality. Integration of these measures with support from the County Government will be key to transforming the borehole into a sustainable water source and improving water security for the community.

Further, the County should ensure that all project signage accurately reflects the funding source as a trustworthy one. In this case, the signboard should be corrected to indicate support from the Equalisation Fund. Clear and consistent branding of projects enhances accountability and public awareness of national development efforts.



Picture 6: Publicity signboard (left) and a plaque (right) for the borehole drilling and capping project at Banita Secondary School



Picture 7: Borehole site at Banita Secondary School, in Rongai Constituency, Nakuru County

ii) Sambocho Water Project

The project is located in Elgon Ward, Bungoma County. It involves constructing an intake, installing fittings, laying pipes from the intake to the existing 150,000-litre storage tank, which is 4.5km away, and providing community training. It started on January 7, 2024, and was scheduled to be completed by December 31, 2025. The budget was Kshs. 9.89 million, with a contract sum of Kshs. 9.47 million. The objective of the project is to supply water to 1,000 households in Sambocho Sub-location.

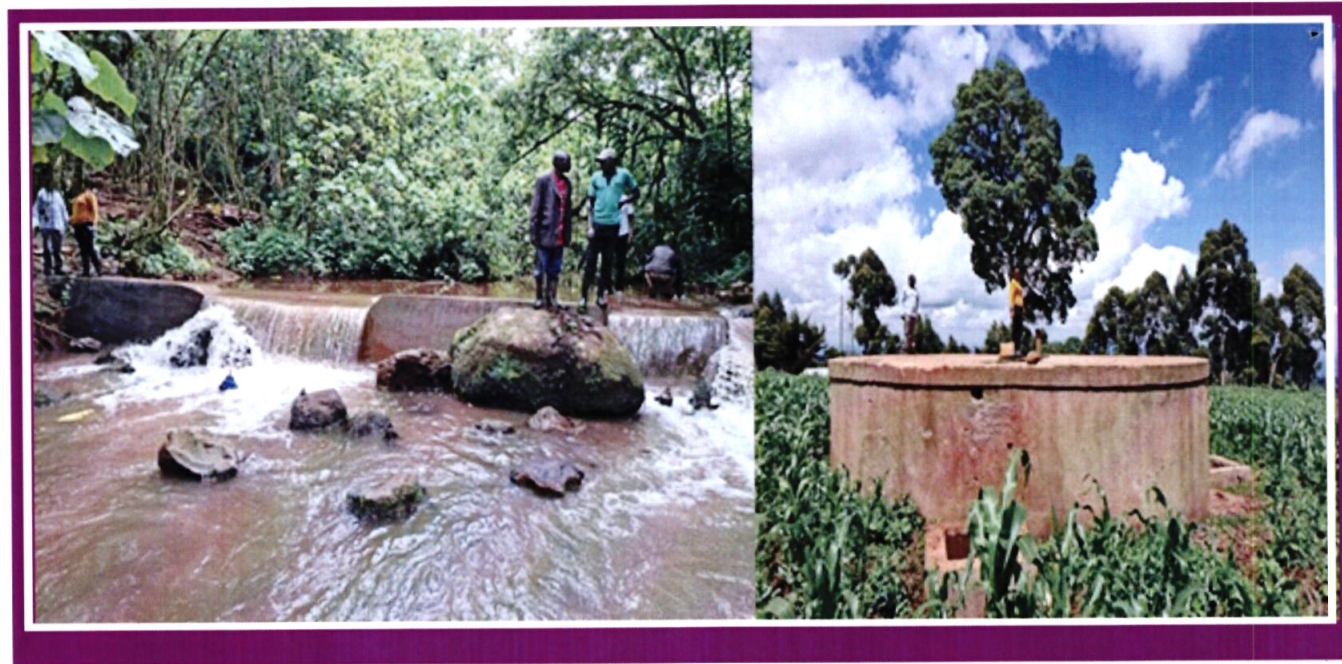
During the project site visit, it was established that the project has not been completed. Water intake and fitting installation are complete. However, the contractor has yet to start laying distribution pipes from the intake to the distribution tank.

It is recommended that the Project Management Committee urgently engage the contractor and the supervising technical officers to establish the causes of the delayed commencement of pipeline works and agree on a clear, time-bound recovery plan. The Committee should closely monitor implementation against revised milestones, ensure strict adherence to the approved scope, contract timelines, and technical specifications, and promptly escalate any persistent delays to the County implementing department for appropriate action.





Picture 9 : Publicity Signboard and water pipes for the Sambocho water project



Picture 10 : Water Intake (left) and distribution tank for the Sambocho Water project, in Elgon Ward, Mt Elgon Constituency, Bungoma County.

iii) Moa Dispensary - Staff House

This project, located at Moa Dispensary, involves the construction of staff houses and commenced in 2018. With a contract sum of Kshs.4.88, payments of Kshs.1.88 million have been made, leaving a significant balance of Kshs.3.01 million and reflecting a physical progress of only 60 per cent. The site visit revealed a concerning state of incompleteness. Critical finishing works remain outstanding, including electrical installations, painting, and the equipping of the facilities. Most alarmingly, the roofing sheets have already begun to rust due to prolonged exposure, indicating potential future repair costs and asset deterioration even before the project is finalised. The current state renders the houses uninhabitable and unable to serve their intended purpose.

The Equalisation Fund Advisory Board (EFAB), through the County Treasury, were advised to urgently process and disburse the certified outstanding balance to the contractor. This immediate payment is crucial to mobilising the contractor back to the site to complete the remaining works, including electrical installations, painting, and addressing rust on the roofing sheets, thereby preventing further asset deterioration and ensuring the project's finalisation.



Picture 12: Stalled Medical Staff House at Moa Dispensary in Witu Ward, Lamu West Constituency, Lamu County

10. Status of Implementation of Development Projects in FY2024/25

Parliament enacted the Public Finance Management (Public Investment Management) Regulations, 2022, to establish a standardised and transparent framework for the appraisal, selection, budgeting, and implementation of public investment projects. These Regulations were designed to address persistent challenges in public investment, such as stalled projects, cost overruns, and sub-optimal returns on investment, while fostering fiscal discipline, accountability, and alignment with Kenya's national and county development priorities. The Regulations aim to improve the quality and efficiency of public-sector development spending by ensuring that only well-prepared, economically viable, and strategically relevant projects are included in annual budgets.

The OCoB conducted a monitoring and evaluation exercise during FY 2024/25 to assess the extent to which County Governments have institutionalised and complied with this regulatory framework. The assessment focused on the key stages of the public investment management cycle, including project identification, appraisal, budgeting, implementation, and monitoring. Additionally, the exercise tracked the progress of implementation of selected projects to verify whether they align with approved budgets, timelines, and intended outcomes.

A sample of the projects monitored is presented below.

I. Rotian Saleyard, Nkareta Ward

The project entailed the construction of a livestock sale yard and a modern toilet to provide a centralised facility for the efficient, organised trade of livestock in Nkareta Ward, Narok County. The project's contract sum was Kshs. 6.07 million, which has been paid. The sale yard is operational and comprises three sections: one for selling cattle, another for sheep and goats, and a third for farm produce. The sale yard includes two ablution blocks and a central building housing offices for Cess, Security, Revenue, Veterinary, and Permits.

While the sales yard is operational, the administration offices remain unequipped, which may hinder the efficient delivery of critical services, including revenue collection, security monitoring, veterinary services, and trade permit issuance.

To address this issue, the County Government is advised to prioritise equipping offices with essential furniture, equipment, and ICT infrastructure. Additionally, a phased approach can be adopted to allocate funds for equipping the offices in subsequent budgets, ensuring continuity of operations without straining the current budgetary provisions.





Picture 13: Construction of a livestock sale yard and modern toilet at Rotian Saleyard, Nkareta Ward, Narok County



ii. Lobo Dispensary

The Dispensary is located in Mochogoi Ward, Baringo County. It was constructed as a replacement for the Lobo Health Centre, which was submerged by Lake Bogoria in 2020. The project began in July 2023 and was completed in August 2024, at a contract sum of Kshs. 4 million, which was fully paid upon completion.

The new dispensary is currently operational but faces several challenges. These include an insufficient number of medical personnel: only two nurses and no public health officer are available. Additionally, the facility lacks laboratory services and has not yet been connected to the power grid.

The County Government was advised to prioritise equipping the new dispensary by hiring additional medical staff, establishing laboratory services, and ensuring power connectivity. These measures would help provide residents with comprehensive and reliable healthcare services.



Picture 14: Submerged Lotoboi Health Centre, Mochogoi Ward, Baringo County



Picture 15: Newly constructed Lobo Dispensary, Mochogoi Ward, Baringo County



iii. Construction of Kataboi Eco Lodges

The County Government of Turkana, through the Ministry of Tourism, Culture, and Natural Resources, began construction of the Kataboi Eco-lodges in Lake Zone Ward, along Lake Turkana. The project, which started in the 2019/20 fiscal year, stalled after reaching 55% completion. With a contract sum of Kshs 60.02 million, a total of Kshs 33.12 million has been paid out to date. Construction stalled after the contract was terminated due to poor workmanship, with the contractor having received Kshs. 33.12 million before the termination.

During a field visit, the monitoring team observed that the Eco-lodges were in a deplorable state. Some structures have been vandalised due to the absence of security measures to protect the infrastructure.

The County government was advised to undertake measures to secure the Kataboi Eco Lodges and prevent further vandalism. An assessment of the remaining work should be conducted, and a new contractor engaged to complete the project. Additionally, the County should establish a comprehensive maintenance and security plan for the facilities to ensure their sustainability and future use as a tourism asset for revenue generation and community development.



Picture 16 : Kataboi Eco Lodge, Lake Zone Ward, Turkana County

iv. Proposed Supply, Installation, Testing, Training, and Commissioning of a Resuscitation Machine for the Meru Hospital Theatre

The project involved the supply, delivery, installation, testing, training, and commissioning of resuscitation equipment to enhance health services at Meru County Teaching and Referral Hospital under the Department of Health Services. The contract, valued at Kshs. 2.54 million was awarded to Jomex International Limited under the youth-registered category. The full amount had been

allocated in the FY 2024/25 budget for this project and has already been paid. The monitoring exercise established that the equipment was successfully delivered, installed in the main theatre, and is fully functional.



Picture 17 : Resuscitation machine at the Meru County Teaching and Referral Hospital main theatre

Based on the assessments, some County Governments have made commendable progress in aligning their project management processes with the provisions of the Public Investment Management Regulations, 2022. Specifically, there is evidence of structured project appraisal and screening processes for large-scale capital projects. However, gaps still exist, particularly in cascading these requirements to smaller or ward-level development projects, which often lack adequate feasibility studies and cost-benefit analyses.

Field visits and document reviews revealed mixed outcomes in the implementation of selected projects. While some projects were progressing according to schedule and meeting the required technical specifications, others experienced delays primarily due to non-payment for certified works, limited contractor capacity, and weaknesses in contract management. Additionally, cost overruns were noted in some projects, mainly due to scope-of-work variations.



CHAPTER 4

FINANCIAL AND AUDIT REPORTS



REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE CONTROLLER OF BUDGET FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of Office of the Controller of Budget set out on pages 1 to 40, which comprise of the statement of financial

Report of the Auditor-General on Office of the Controller of Budget for the year ended 30 June, 2025

position as at 30 June, 2025, and the statement of statement of statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Office of the Controller of Budget as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis including the transitional provisions permitted under IPSAS 33 and comply with the the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Office of the Controller of Budget Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual on comparable basis of Kshs. 634,251,897 and Kshs. 547,256,532 respectively resulting to under funding of Kshs. 86,995,365 or 14% of the receipts budget. The underfunding may have impacted on the implementation of planned programmes.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Report of the Auditor-General on Office of the Controller of Budget for the year ended 30 June, 2025

Other Matter**Unresolved Prior Year Matter**

In the prior years' audit reports, one issue was raised under the Report on Lawfulness and Effectiveness in Use of Public Resources, on non-compliance with one third rule on deduction of employees' salary that remained unresolved as at 30 June, 2025.

Other Information

The Management is responsible for the Other Information set out on page vii to cxxxviii which comprise of Key Information and Management, Profiles of the Controller of Budget and Key Management, Statement of the Controller of Budget, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Report of the Auditor-General on Office of the Controller of Budget for the year ended 30 June, 2025

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require

Report of the Auditor-General on Office of the Controller of Budget for the year ended 30 June, 2025

that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 November, 2025

Report of the Auditor-General on Office of the Controller of Budget for the year ended 30 June, 2025

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

11. Statement of Financial Performance for the year ended 30 June 2025

	Notes	FY 2024/25
		KShs
Revenue from non-exchange transactions		
Transfers from the exchequer	6	624,537,066
Total		624,537,066
Revenue from exchange transactions		
Other income	7	279,883
Total revenue		624,816,949
Expenses		
Employee costs	8	398,257,052
Use of goods and services	9	201,564,139
Depreciation expense	10	9,169,821
Total expenses		608,991,012
Other gains/(losses)		-
Surplus/(Deficit) for the year		15,825,937
Net Surplus/(Deficit)		15,825,937

The Financial Statements set out on pages 1 to 10 were signed by:

Controller of Budget
Name: FCPA Dr. Margaret Nyakang'o, CBS
ICPAK Member: 2145

Name: CPA Pamela Okatch
Head of Finance & Accounts
ICPAK Member Number: 7884

Name: CPA Jacinta Masila
Director Corporate Services
ICPAK Member: 3240

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

12. Statement of Financial Position as at 30 June 2025

	Notes	FY 2024/25	Opening Statement 1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	11	560,183	2,106,278
Receivables from exchange transactions	12(a)	68,570,528	60,566,838
Receivables from non-exchange transactions	13	77,560,417	-
Total Current Assets		146,691,128	62,673,116
Non-Current Assets			
Property, plant, and equipment	14	53,096,639	43,943,013
Total Non-Current Assets		53,096,639	43,943,013
Total Assets (A)		199,787,771	106,616,129
Liabilities			
Current Liabilities			
Trade and other payables	15	82,977,472	7,701,941
Refundable deposits	16	155,116	118,762
Current provision	17(a)	6,273,814	16,507,539
Total Current Liabilities		89,406,402	24,328,241
Non-Current Liabilities			
Non-current provisions	17(b)	5,898,303	4,837,637
Total Non-Current Liabilities		5,898,303	4,837,637
Total Liabilities (B)		95,304,705	29,165,878
Net Assets (A-B)		104,483,066	77,450,251
Represented By:			
Revaluation Reserves		13,194,391	-
Accumulated surplus		91,288,671	77,450,251
Net Assets		104,483,066	77,450,251

The financial statements set out on pages 1 to 10 were signed by:

2

Budget Oversight for Transparency

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.



Controller of Budget

Name: FCPA Dr. Margaret Nyakang'o, CBS

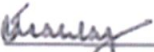
ICPAK Member: 2145



Name: CPA Pamela Okatch

Head of Finance & Accounts

ICPAK Member Number: 7884



Name: CPA Jacinta Masila

Director Corporate Services

ICPAK Member: 3240

In line with Paragraph 79 of IPSAS 33, the Office has elected to present one statement of financial performance, one statement of cash flows, one statement of changes in net assets, and one statement of financial position, together with an opening statement of financial position at the date of adopting accrual accounting. As a result of this election, no comparative figures are presented in this first year of transition.

*Office of the Controller of Budget***Annual Reports and Financial Statements for the year ended June 30, 2025.****13. Statement of Changes in Net Assets for the year ended 30 June 2025**

	Accumulated Surplus	Revaluation Reserves	Capital Fund	Total
Fund balance as at 30th June 2024	2,296,216	-	-	2,296,216
Adjustments				
Recognition of Assets	104,201,151	-	-	104,201,151
Recognition of Liabilities	(29,047,117)	-	-	(29,047,117)
As at July 1, 2024	77,450,250	-	-	77,450,250
Return to Exchequer	(1,987,516)	-	-	(1,987,516)
Revaluation gains	-	13,194,391	-	13,194,391
Surplus/(deficit) for the year	15,825,937	-	-	15,825,937
As at June 30, 2025	91,288,671	13,194,391	-	104,483,062

The Statement of Changes in Net Assets/Equity presents the movements in fund balances and reserves for the year ended 30 June 2025.

The opening fund balance as at 30 June 2024 was **Kshs 2,296,216**. In the year, adjustments were made to recognise assets amounting to **Kshs 104,201,151**, comprising prepayments for medical, staff parking and ex gratia, while liabilities amounting to **Kshs 29,047,117** comprise gratuity payables in accordance with the transitional provisions of IPSAS 33 – *First-time Adoption of Accrual Basis IPSASs*.

A prior-year adjustment was made to return **Kshs 1,987,516** to the Exchequer. Additions to reserves of **Kshs 13,194,391** were recognised, representing revaluation surpluses on motor vehicles. The surplus for the year of **Kshs 15,825,937** was transferred to the accumulated surplus/retained earnings. No capital funds were received during the year.

The closing balance as of 30 June 2025 was **KShs 104,483,062**, comprising Revaluation Reserve **Kshs 13,194,391** and Accumulated Surplus/Retained Earnings **Kshs 91,288,671**. This balance represents the cumulative surpluses realised from operations after recognising all revenues, expenses, and prior-year adjustments. It is available to fund the office's future activities, subject to budgetary provisions.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

14. Statement of Cash Flows for the year ended 30 June 2025

FY 2024/25

	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequers		546,976,649
Other income		279,883
Total receipts		547,256,532
Payments		
Employee costs		407,811,532
Use of goods and services		133,874,527
Total payments		541,686,059
Net cash flows from/(used in) operating activities	18	5,570,473
Cash flows from investing activities		
Purchase of PPE		(5,129,055)
Net cash flows from/(used in) investing activities		(5,129,055)
Cash flows from financing activities		
Return to Exchequer		(1,987,516)
Net cash flows from financing Activities		(1,987,516)
Net increase/(decrease) in cash & Cash equivalents		(1,546,098)
Cash and cash equivalents at 1 July	11	2,106,278
Cash and cash equivalents at 30 June	11	560,180

Cash Flow Preparation – Direct Method

In line with the Public Sector Accounting Standards Board (PSASB) requirements, the OCoB prepares the Statement of Cash Flows using the direct method. Under this approach, major classes of gross cash receipts and payments are presented separately. This clarifies the sources and uses of cash during the reporting period by disclosing actual cash flows from operating activities, rather than adjusting net surplus/deficit for non-cash items.

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

15. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Exchequer releases	738,219,080	(105,967,183)	632,251,897	546,976,649	85,275,248	87%
Miscellaneous receipts	2,000,000	-	2,000,000	243,528	1,756,472	12%
Miscellaneous receipts (deposit account)	-	-	-	36,355	(36,355)	0%
Total Receipts	740,219,080	(105,967,183)	634,251,897	547,256,532	86,995,365	86%
Payments						
Compensation of employees	526,834,616	(115,050,245)	411,784,371	407,811,532	3,972,839	99%
Use of goods and services	193,836,814	19,995,712	213,832,526	133,874,527	79,957,999	62%
Acquisition of assets	19,547,650	(10,912,650)	8,635,000	5,129,055	3,505,945	59%
Total Payments	740,219,080	(105,967,183)	634,251,897	546,815,114	87,436,783	86%
Surplus	-	-	-	441,418	-	

a) *Variance analysis*: Significant variances are considered as underutilization where the budget utilization rate is below 90% and overutilization where it exceeds 100%.

Receipts

- **Exchequer Releases (74% utilisation)** – The variance is attributable to the release of the exchequer of Kshs . 546.9 million as at 30th June 2025. Out of the total budgeted amount, Kshs. 77.5 million was released in July 2025 and is therefore treated as a receivable during the reporting period.
- **Miscellaneous Receipts (12% utilisation)** – The variance is due to non-realisation of anticipated miscellaneous income budgeted for under Appropriation in Aid(AIA). This arose as a result of the non-disposal of motor vehicles earmarked for sale during the reporting period.
- **Miscellaneous Receipts -deposit (0% utilisation)** – An amount of Kshs. 36,355 was realised from the deposit account, including staff recovery and payroll commission. This was appropriated in the budget but was not transferred from the deposit account to the recurrent account.

Payments

- **Compensation of Employees (99% utilisation)** – Slight underutilization arose from staff delayed recruitment for certain positions, resulting in lower salary and related staff costs than budgeted.
- **Use of Goods and Services (62% utilisation)** – The variance is mainly due to delays in receipts of exchequer in July 2025 for transactions relating to the period under review.
- **Acquisition of Assets (59% utilisation)** – Underutilization resulted in a delay in receipts of exchequer in July 2025 for the purchase of ICT equipment relating to the period under review.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

b) Reallocations within the year:

The changes between the original and final budget reflect reallocations within the approved budget framework to address emerging priorities and operational needs during the year, in accordance with IPSAS 1.7.23. These reallocations did not alter the approved budget but involved adjustments between line items to optimise resource utilisation.

c) Budget Reconciliation to the Statement of Cash Flows

Description of Particulars		Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	441,418
1	Opening cash and cash equivalents	2,106,278
2	Return to Exchequer	(1,987,516)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	560,180

The actual surplus as per the Statement of Budget was Kshs. 441,418. Variances arose due to discrepancies in the opening cash and bank balances recorded in the cashbook, amounting to Kshs. 2,106,278 and amount returned to the exchequer of Kshs. (1,987,516). After reconciling these differences, the closing cash and cash equivalents as per the Statement of Cash Flows amounted to Kshs. 560,180

Budget Execution by Programmes and Sub-Programmes for FY2025

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilisation difference
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1					
1: Authorisation of Withdrawals from Public Funds	174,721,487	(39,562,795)	135,158,692	127,010,511	8,148,181
2: Budget Review and Analysis	65,410,934	(6,904,930)	58,506,004	58,080,714	425,290
3: Administrative Support Services	450,212,151	(59,234,958)	390,977,193	312,544,368	78,432,825
4: Research and Planning	49,874,508	(264,500)	49,610,008	49,179,521	430,487

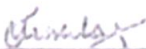
Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

Total	740,219,080	(105,967,183)	634,251,897	546,815,114	87,436,783
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The entity's financial statements were approved on November 25, 2025 and signed by:


Controller of Budget
Name: FCPA Dr. Margaret Nyakang'o, CBS
ICPAK Member: 2145


Name: CPA Pamela Okatch
Head of Finance & Accounts
ICPAK Member Number: 7884


Name: CPA Jacinta Masila
Director Corporate Services
ICPAK Member: 3240

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

16. Notes to the Financial Statements

1. Establishment

The Office of the Controller of Budget is an independent office established under Article 228 of the Constitution of Kenya, 2010. The office is wholly owned by the Government of Kenya and is domiciled in Kenya. The office's principal activity is to oversee the implementation of the budgets of the National and County governments by authorising withdrawals from public funds.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Transitional IPSAS 33 Compliance

These financial statements represent the first-year adoption of the accrual basis International Public Sector Accounting Standards (IPSASs) in accordance with IPSAS 33 – *First-time Adoption of Accrual Basis IPSASs*. As permitted under the transitional provisions of IPSAS 33, some aspects of the financial statements have not been or partially been recognised, including property, plant and equipment and inventories. The office has applied these transitional exemptions to allow adequate time for the identification, valuation, and recognition of the omitted elements. A phased implementation plan is in place to progressively recognise these elements, ensuring full compliance with IPSAS accrual requirements within the allowable transition period.

For these financial statements, the *Office of the Controller of Budget* has been categorised as a Schedule 1 national government MDA in line with Section 4 of the Public Finance Management Act, 2012, read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions, and independent offices. MDAs are reporting entities whose primary objective is to provide policy and coordinate government services.

The use of public resources by MDAs is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act of 2012, and the Public Procurement and Disposal Act of 2015.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

These financial statements were authorised for issue by the Controller of Budget on November 25, 2025.

Reporting period

The reporting period for these financial statements is June 30, 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period, on an accrual basis, unless otherwise specified (for example, in the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied, rather than when cash is received, and expenses are recognised when obligations are incurred, rather than when they are settled. The financial statements have been prepared and presented to the nearest shilling in Kenya Shillings.

The OCoB has adopted the phased approach, as opposed to the Full (Big Bang) approach. Under the transitional provisions of IPSAS 33, *First-time Adoption of Accrual Basis IPSASs*, entities are allowed up to three years to fully comply with specific IPSAS requirements.

These financial statements are the first to be prepared in accordance with the accrual-basis International Public Sector Accounting Standards (IPSASs), in line with IPSAS 33. The Office has transitioned all financial assets and liabilities as a minimum requirement. In addition, all motor vehicles and other asset categories acquired during the financial years 2022/23, 2023/24, and 2024/25 have been transitioned.

The office has not yet brought on board inventories, leases, intangible assets and other non-current assets as part of Property, Plant and Equipment (PPE). These will be incorporated in the second year of financial reporting (i.e., FY 2025/26).

The accounting policies adopted are based on IPSAS accrual and have been applied to the current period and to any restated comparative information. Comparative figures may not be fully comparable due to the application of transitional provisions.

Critical accounting judgements

IPSAS requires accounting judgments to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

15. Notes to the Financial Statements

1. Establishment

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Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

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The OCoB has adopted the phased approach, as opposed to the Full (Big Bang) approach. Under the transitional provisions of IPSAS 33, *First-time Adoption of Accrual Basis IPSASs*, entities are allowed up to three years to fully comply with specific IPSAS requirements.

These financial statements are the first to be prepared in accordance with the accrual-basis International Public Sector Accounting Standards (IPSASs), in line with IPSAS 33. The Office has transitioned all financial assets and liabilities as a minimum requirement. In addition, all motor vehicles and other asset categories acquired during the financial years 2022/23, 2023/24, and 2024/25 have been transitioned.

The office has not yet brought on board inventories, leases, intangible assets and other non-current assets as part of Property, Plant and Equipment (PPE). These will be incorporated in the second year of financial reporting (i.e., FY 2025/26).

The accounting policies adopted are based on IPSAS accrual and have been applied to the current period and to any restated comparative information. Comparative figures may not be fully comparable due to the application of transitional provisions.

Critical accounting judgements

IPSAS requires accounting judgments to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

Recognition of revenue

Revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue must be measured when the event occurs and when the recognition criteria (i.e., the probable inflow of resources and the ability to measure their value reliably) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of Office of the Controller of Budget for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognised when a present obligation (legal or constructive) is due to a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation, and a reliable estimate of the obligation can be made. Judgement is needed in assessing each of these conditions, and therefore, determining whether an expense and a present obligation should be reported.

The Office of the Controller of Budget pursues several policy targets and outcomes. However, the commitment to these targets and outcomes generally does not of itself constitute a present obligation unless the Office of the Controller of Budget is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the Office of the Controller of Budget policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the Office of the Controller of Budget future actions, expenses (and other related liabilities) are recognised for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortised cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. The Office of the Controller of Budget commitment

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the Office of the Controller of Budget due to a past event. The primary reason for holding property, plant, and equipment, as well as other assets, is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of the assets used by public sector entities, including roads, national parks, and heritage buildings, are specialised in nature. There may be a limited market for such assets, and therefore judgment is required in measuring them. Judgment is also required on whether assets are held for commercial purposes or public benefit purposes.

3. Adoption of New and Revised Standards

i) New and amended standards and interpretations issued effective in the year ended 30 June 2025.

No new or amended standards were issued during the financial year.

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard outlines the principles for recognising, measuring, presenting, and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information faithfully representing those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the Office of the Controller of Budget financial position, financial performance, and cash flows. The new standard requires entities to recognise, measure, and present information on right-of-use assets and lease liabilities. <i>This Standard will impact how the office accounts for lease contracts.</i>
IPSAS 44: Non-Current Assets Held for Sale and	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale are to be measured at the lower of carrying amount and fair value, less costs to sell, and the depreciation of such assets to cease and:

Discontinued Operations	Assets that meet the criteria to be classified as held for sale are to be presented separately in the statement of financial position, and the results of discontinued operations are to be presented separately in the statement of economic performance.
	<i>This standard will impact how the Office presents and accounts for non-current assets held for sale.</i>
IP SAS 45-	Property, Plant and Equipment
	The standard supersedes IP SAS 17, Property, Plant, and Equipment. IP SAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IP SAS 17 in IP SAS 45; heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IP SAS 45 provides additional application guidance for infrastructure assets, including implementation guidance and illustrative examples. The standard has clarified existing principles, such as the valuation of land over or under infrastructure assets, under-maintenance of assets, and distinguishing between significant and non-significant parts of infrastructure assets. <i>This standard additional guidance/new guidance for heritage assets, infrastructure and measurement is irrelevant to the office.</i>
IP SAS 46	Measurement
	The objective of this standard was to improve measurement guidance across IP SAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IP SAS; iii. Amending where appropriate guidance across IP SAS related to measurement at recognition, subsequent measurement, and measurement-related disclosures. The standard also introduces a public sector-specific measurement basis called the current operational value.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

	<i>The expected impact will require reviewing current valuation methodologies, updating accounting policies, and, where applicable, applying the new current operational value basis for certain public sector assets. This may result in changes to reported asset values, enhanced comparability of financial information, and improved transparency in disclosure, which is relevant to the office.</i>
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9, Revenue from Exchange Transactions; IPSAS 11, Construction Contracts; and IPSAS 23, Revenue from Non-Exchange Transactions. This standard consolidates all guidance on accounting for revenue under a single standard. The objective of the standard is to establish the principles that the Office of the Controller of Budget shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. <i>This standard will impact how the Office recognises and measures various revenue resources.</i>
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities, guiding entities that provide transfers, on accounting for such transfers. <i>The office is still assessing the impact of this standard on its financial operations.</i>
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for public-sector retirement benefit plans, which provide retirement to public-sector employees and other eligible participants. The standard sets the financial statements that a retirement benefit plan should present. <i>This standard does not have any impact to the office.</i>
IPSAS 50:	<i>Applicable 1st January 2027</i>

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

Exploration For & Evaluation of Mineral Resources	The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognise exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources help users understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognised. <i>This standard has no impact on the office.</i>
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iii) Early adoption of standards

These financial statements are the first to be prepared in accordance with the accrual-basis International Public Sector Accounting Standards (IPSASs) in line with IPSAS 33. The office early adopted IPSAS 45 on Property, Plant, and Equipment in place of IPSAS 17 during the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions -IPSAS 23

Fees, taxes and fines

The office recognises revenues from fees, taxes and fines when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognised instead of revenue. Other non-exchange revenues are recognised when it is probable that the future economic benefits or service potential associated with the asset will flow to the office and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognised on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the office and can be measured reliably. Recurrent grants are recognised in the statement of comprehensive income. Development grants are recognised in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognised as revenue upon fulfilment of the set conditions. The office did not have a development grant or a conditional grant during the reporting period.

ii) Revenue from exchange transactions -IPSAS 9

Rendering of services

The office recognises revenue from rendering services by reference to the completion stage when the transaction's outcome can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The technique applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Budget information -IPSAS 24

The National Assembly approved the original budget for FY 2024/25. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the office upon receiving the respective approvals, to finalise the budget. Accordingly, the office recorded a reduction in budget appropriations of **Kshs.105.97 million** on the 2024/25 budget following the governing body's approval. The office budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis, using a classification based on the nature of expenses in the statement of financial performance. In contrast, the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to align with the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the Statement of Comparison of Budget and Actual Amounts. In addition to the Basis difference, adjustments are also made to amounts in the financial statements for differences in the formats and classification schemes used for presenting the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section 14 (c) of these financial statements.

c) Property, plant and equipment -IPSAS 45

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditures that are directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Office of the Controller of Budget recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

Summary of Assumptions Adopted in the Preparation of Property, Plant and Equipment (PPE)

Except for the motor vehicle register, which transitioned all motor vehicles, the OCoB transitioned all other assets acquired during the financial years 2022/23, 2023/24, and 2024/25. Depreciation was calculated using the straight-line method based on the estimated useful lives of the assets. Annual depreciation is charged in the year of acquisition but not in the year of disposal.

The depreciation rates 12.50%, 30%, 12.50% and 30% for Motor vehicles, Computers & other ICT Assets, Furniture & Fittings and Office Equipments, respectively, were applied in accordance with the Asset and Liability Policy document.

Treatment of valued assets

It's important to note that during the period under review, the office valued a class of assets (motor vehicles). An independent and competent valuer did a valuation on June 18, 2025.

The valuation resulted in a surplus of Kshs 13,194,391, which has been recognised in accordance with IPSAS 45.

IPSAS 45, paragraph 54, provides that "Any impairment loss of a revalued asset shall be treated as a revaluation decrease."

This implies that the subsequent treatment of valued assets must be tested for impairment at the end of a specific reporting period. The office did not test for impairment on this class of assets as we were of the view that the valuation was equivalent to the market value, thus resulting in zero impairment.

d) Leases -IPSAS 43

Finance leases are leases that transfer all the risks and benefits incidental to ownership of the leased item to the Office of the Controller of Budget substantially. Assets held under a finance lease are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Office of the Controller of Budget also recognises the associated lease liability at the inception of the lease. The liability recognised is measured as the present value of the future minimum lease payments at initial recognition. Following initial recognition, lease payments are apportioned between finance charges and the reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the asset's useful life. However, suppose there is no reasonable certainty that the Office of the Controller of Budget will obtain

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

ownership of the asset by the end of the lease term. In that case, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets -IPSAS 31

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

f) Inventories -IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal fee), the price of the inventory is its fair value at the date of acquisition. Expenses incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour, and a proportion of manufacturing overheads based on the standard operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realisable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realisable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognised as an expense when deployed for utilisation or consumption in the ordinary course of operations of the Office of the Controller of Budget.

g) Provisions

Provisions are recognised when the Office of the Controller of Budget has a present obligation (legal or constructive) as a result of a past event, an outflow of resources embodying economic benefits or service potential will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Office of the Controller of Budget expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

h) Changes in accounting policies and estimates

The Office of the Controller of Budget recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Related parties

The *office* regards a related party as a person or an office that can exert control individually or jointly, or exercise significant influence over the office or vice versa. Members of key management, including directors and chief managers, are considered related parties.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at the bank, as well as short-term deposits on call and highly liquid investments with an original maturity of three months or less. These are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

k) Comparative figures

In preparing these financial statements, the office has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an office to present one statement of economic performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

l) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.



Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

m) Financial Assets and Financial Liabilities

Recognition and Measurement

The Office recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. At each reporting date, the Office assesses whether there is objective evidence that a financial asset is impaired. Impairment losses, when identified, are recognised in the Statement of Financial Performance. During the period under review, there was no impairment or amortisation recognised for the financial assets.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. A financial liability is derecognised when the obligation is discharged, cancelled, or expires. During the period under review, there was no derecognition or amortisation for the financial liabilities.

5. Significant Judgments and Sources of Estimation Uncertainty

Preparing the financial statements in conformity with IPSAS requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the asset's carrying amount or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other significant sources of estimation uncertainty at the reporting date that have a material risk of causing a change in the carrying amounts of assets and liabilities within the next financial year are described below. The office based its assumptions and estimates on parameters available at the time the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market fluctuations or circumstances beyond the office's control. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

- a) The asset's condition based on the assessment of experts employed by the office.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised, and management determined an estimate based on the available information. Note 40 includes additional disclosure of these estimates of provisions.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation as of the reporting date. They are discounted to present value where the effect is material. In the first year of accrual reporting, the OCoB did not have any provisions to be reported in the Annual Report and Financial Statements.

6. Transfers from the Exchequer

Nature of transfer	Amount recognised in the Statement of Financial Performance	Amount deferred under deferred income	Total transfers Period ended June 2025
	Kshs	Kshs	Kshs
Exchequer	546,976,649	-	546,976,649
Exchequer Receivable	77,560,417	-	77,560,417
Development	-	-	-
Total	624,537,066	-	624,537,066

During the period ended 30 June 2025, total transfers amounted to Kshs. 624,537,066, comprising Kshs. 546,976,649 recognised as exchequer funding received as at 30 June 2025 and Kshs. 77,560,417 as exchequer receivable received on 4 July 2025 (after the closure of the reporting period). The office does not have a development vote, hence no transfers received during the year.

7. Other Incomes

Description	FY 2024/25
	Kshs
Administrative fees and charges	243,528
Administrative fees and charges Receivables	36,355
Total other income	279,883

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

During the period under review, the Office realised Kshs. 243,528 from payroll commissions. The receivable amount, Kshs.36,355, had not been transferred from Deposit Account to Recurrent Account during the period under review. This amount was appropriated in the budget and, therefore, formed part of the Appropriations-in-Aid (AIA).

8. Employee Costs

Description	FY 2024/25
	Kshs
Basic salaries of permanent employees	227,534,760
Basic wages of temporary employees	951,583
Personal allowances – part of salary	109,928,972
Pension and other social security contributions	47,069,822
Other personnel costs-Gratuity Expense	12,771,915
Employee costs	398,257,052

Other personnel costs include gratuity expenses for the year for the thirteen (13) staff members on contract.

9. Use of Goods and Services

Description	FY 2024/25
	Kshs
Utilities, supplies and services	-
Communication, supplies and services	10,534,405
Domestic travel and subsistence	17,089,157
Foreign travel and subsistence	3,896,431
Printing, advertising, and information supplies & services	39,266,725
Rentals of produced assets	16,881,524
Training expenses	8,322,607
Hospitality supplies and services	9,802,368
Insurance costs	45,540,280
Specialised materials and services	637,957
Bank Charges	101,520
Office and general supplies and services	5,499,439
Fuel Oil and Lubricants	4,289,801
Routine maintenance – vehicles and other transport equipment	3,048,082
Routine maintenance – other assets	1,655,260
Other operating expenses	34,077,783
Assets not capitalised	920,801
Total	201,564,140

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

The total operating expenses for FY 2024/25 amount to **Kshs 201,564,140**, covering a range of recurrent expenditure items necessary to support the office's day-to-day operations. Major cost drivers include **printing, advertising and information services (Kshs 39.27 million)**, **insurance costs (Kshs 45.54 million)**, **domestic travel and subsistence (Kshs 17.09 million)** and **rentals of produced assets (Kshs 16.88 million)**. Other key expenditure areas comprise communication services, hospitality, training, fuel and routine maintenance of assets and vehicles. The budget also makes provision for office supplies, specialised service costs, and bank charges. The other general operating expenses of **Kshs 34,077,783** include: Payments to staff membership professional bodies (Kshs. 2,175,477); Consultancy Services (Kshs. 3,794,284); Contracted Guards and Cleaning Services (Kshs. 3,350,965); Monitoring and Evaluation (Kshs. 24,696,625).

10. Depreciation and Amortisation Expense

Description	FY 2024/25
	Kshs
Property, plant and equipment	9,169,821
Total	9,169,821

Depreciation rates of 12.50% for motor vehicles, 30% for computers and other ICT assets, 12.50% for furniture and fittings, and 30% for office equipment were applied in accordance with the Asset and Liability Policy document. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. Annual depreciation is charged in the year of acquisition but not in the year of disposal.

11. Cash and Cash Equivalents

Description	FY 2024/25	Opening statement 1 st July 2024
	Kshs	Kshs
Recurrent Account	247,785	1,843,419
Development Account	-	-
Deposits Account	155,116	118,762
Others-Cash on hand	157,282	144,097
Total	560,183	2,106,278

As at 30 June 2025, cash and cash equivalents totalled **Kshs. 560,183**, compared to **Kshs. 2,106,278** at the opening balance on 1 July 2024. The balance comprised **Kshs. 247,785** in the recurrent account (2023/24: Kshs. 1,843,419), **Kshs. 155,116** in the deposits account (2023/24: Kshs. 118,762), and **Kshs. 157,282** as cash on hand (2023/24: Kshs. 144,097). No balances were held in development, on-call deposit, or fixed deposit accounts.

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

11 (a) Detailed Analysis of the Cash and Cash Equivalents

		FY 2024/25	Opening statement 1 st July 2024
Financial Institution	Account number	Kshs	Kshs
Recurrent Account			
CBK001	1000181338	247,786	1,843,419
Development Accounts			
CBK002			
Deposits Accounts	1000181339	155,116	118,762
Others (Specify)			
Cash on Hand		157,282	144,097
Sub- Total		157,282	144,097
Grand Total		560,183	2,106,278

12. Receivables from Exchange Transactions

Description	FY 2024/25	Opening statement 1 st July 2024
	Kshs	Kshs
Other exchange debtors-Prepayments	68,534,177	60,258,138
Miscellaneous Income Receivable	36,355	-
Outstanding Imprest	-	308,700
Total Receivables	68,570,532	60,566,838
a) Current receivables	49,970,532	60,566,838
b) Non-current receivables	18,600,000	-
Total receivables (a+b)	68,570,532	60,566,838

As at 30 June 2025, total receivables amounted to Kshs. 68,570,532, compared to Kshs. 60,566,838 at the opening balance on 1 July 2024. The balance comprises prepayments of Kshs. 68,534,177 (2023/24: Kshs. 60,258,138) for the staff medical expenses, parking, professional subscriptions, training and payment for ex gratia. The receivable amount is Kshs. 36,355 had not been transferred from the Deposit Account to the Recurrent Account during the period under review. This amount was appropriated in the budget and therefore formed part of the Appropriations-in-Aid (AIA). There were no outstanding imprests (2023/24: Kshs. 308,700). The receivables are classified as current and non-current, with current receivables representing amounts due within one year and non-current receivables representing amounts due after more than one year.

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

12(c) Ageing analysis for Receivables

Description	FY 2024/25		Opening statement	
	Kshs		1 st July 2024	
	Kshs		Kshs	
	FY 2024/25	% of the total	1 st July 2024	% of the total
Less than 1 year	49,970,532	100	60,566,838	100
Between 1- 2 years	18,600,000	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	68,570,532	100	60,566,838	100

13. Receivables from Non-Exchange Transactions

Description	FY 2024/25		Opening Statement	
	Kshs		1 st July 2024	
Other debtors (non-exchange transactions)-Exchequer Issue	77,560,417		-	
Total receivables from non-exchange transactions	77,560,417		-	
Ageing Analysis- Receivables from non-exchange transactions	FY 2024/25	% of the total	Opening Statement 1 st July 2024	% of the total
Less than 1 year	77,560,417	100	-	-
Between 1-2 years	-	-	-	-
Over 3 years	-	-	-	-
Total	77,560,417	100	-	-

As at 30 June 2025, receivables from non-exchange transactions amounted to Kshs. 77,560,417, relating entirely to exchequer issues in July, which refers to transactions for the FY 2024/25.

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

14. Property, Plant, and Equipment

	Motor vehicles 12.5%	Furniture and fittings 12.5%	Computers & ICT Equipment 30%	Office Equipment 30%	Total
Depreciation Rate	Kshs	Kshs	Kshs	Kshs	Kshs
Cost					
Opening Bal as 1 st July 2024	23,318,114	2,933,875	16,649,342	1,041,683	43,943,014
Additions	-	-	4,914,455	214,600	5,129,055
Disposals	-	-	-	-	-
Revaluation surplus	13,194,391	-	-	-	13,194,391
As of Jun 2025	36,512,505	2,933,875	21,563,797	1,256,283	62,266,460
Depreciation and Impairment					
Depreciation		419,125	8,304,084	446,612	9,169,821
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
As of June 2025	-	419,125	8,304,084	446,612	9,169,821
Net Book Values	36,512,505	2,514,750	13,259,713	809,671	53,096,639
Opening Bal as at 1 st July 2024	23,318,114	2,933,875	16,649,342	1,041,683	43,943,013
As At 30, 2025	36,512,505	2,514,750	13,259,713	809,671	53,096,639

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

Valuation

PPE items are valued at historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired, PPE is valued at its current operational value, which is the amount the Office of the Controller of Budget would pay for the remaining service potential of an asset as of the measurement date.

Treatment of valued assets

It's important to note that during the period under review, the office valued a class of assets (motor vehicles). The valuation was conducted by an independent and competent valuer on 18. June .2025.

The valuation resulted in a surplus amounting to Kshs 13,194,391, and this surplus has been recognised according to IPSAS 45.

IPSAS 45, paragraph 54, provides that *"Any impairment loss of a revalued asset shall be treated as a revaluation decrease."*

This implies that subsequent treatment of valued assets requires testing for impairment at the end of a specific reporting period. The office did not test for impairment on this class of assets as we were of the view that the valuation value was equivalent to the market value, thus resulting in zero impairment.

15. Trade and Other Payables

Description	FY 2024/25		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Trade payables	78,006,527		2,283,999	
Employee payables	552,178		-	
Other payables	4,418,767		5,417,942	
Total trade and other payables	82,977,472		7,701,941	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	1 st July	% of the Total
Under one year	82,977,472	100	7,701,941	100
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (tied to the above total)	82,977,472	100	7,701,941	100

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

As at 30 June 2025, total trade and other payables amounted to **Kshs. 82,977,472**, compared to **Kshs. 7,701,941** at the opening balance on 1 July 2024. The balance comprised trade payables of **Kshs. 78,006,527** (2023/24: Kshs. 2,283,999), employee payables of **Kshs. 552,178** (2023/24: nil), and other payables related to Kenya Revenue Authority compliance check pending payment of **Kshs. 4,418,767** (2023/24: Kshs. 5,417,942). All payables were current, with no balances outstanding for more than one year.

16.Refundable Deposits

Description	FY 2024/25		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Customer deposits	155,116		118,762	
Total deposits	155,116		118,762	
Ageing analysis: (Refundable deposits)	FY	% of the	1 st July 2024	% of the
	2024/25	Total		Total
Under one year	55,116			18,762
1-2 years	100,000			100,000
2-3 years	-			-
Over 3 years	-			-
Total	155,116			118,762

As of June 30, 2025, refundable deposits totalled **Kshs. 155,116**, compared to **Kshs. 118,762** at the opening balance on 1 July 2024. This relates to insurance monies held by the office in the deposit account. This comprised customer deposits of **Kshs. 55,116** due within one year (2023/24: Kshs. 18,762) and **Kshs. 100,000** due between one and two years (2023/24: Kshs. 100,000)

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

17.Provisions Description	Leave provision	Bonus provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Opening bal 1 st July 2024	-	-	21,345,176	-	21,345,176
Additional provisions	-	-	12,771,915	-	12,771,915
Provision utilised	-	-	(21,944,974)	-	(21,944,974)
Total provisions year-end			12,172,117	-	12,172,117
Current Provisions 17(a)	-	-	6,273,814	-	6,273,814
Non-current Provisions 17(b)	-	-	5,898,303	-	5,898,303

As at 30 June 2025, total provisions for staff gratuity amounted to Kshs. 12,172,117, comprising Kshs. 6,273,814 classified as current and Kshs. 5,898,303 as non-current. The opening balance on 1 July 2024 was Kshs. 21,345,176. During the year, additional provisions for Kshs. 12,771,915 were made as gratuity expense for the reporting period, while Kshs. 21,944,974 was utilised for gratuity payments.

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

18. Cash Generated from Operations

	<i>FY 2024/25</i>
	Kshs
Surplus for the year before tax	16,599,298
Adjusted for:	
Depreciation	8,360,105
Contribution to provisions	(9,173,059)
Working capital adjustments	
Increase in receivables	(85,527,756)
Increase in payables	75,275,531
Increase in payments received in advance	36,355
Net cash flow from operating activities	5,570,474

19. Financial Risk Management

The office's activities expose it to various financial risks, including credit and liquidity risks, as well as the effects of changes in foreign currency. The office's overall risk management programme focuses on the unpredictability of changes in the business environment. It seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The office does not hedge any risks and has policies to ensure that credit is only extended to customers with an established credit history.

The office's financial risk management objectives and policies are detailed below:

i) Credit risk

The office is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, bank deposits, trade and other receivables, and available-for-sale financial investments. Management assesses each customer's credit quality, considering their financial position, experience, and other relevant factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the COB. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, which are estimated by office management based on prior experience and their assessment of the current economic environment.

*Office of the Controller of Budget***Annual Reports and Financial Statements for the year ended June 30, 2025.**

The carrying amount of financial assets recorded in the financial statements representing the office's maximum exposure to credit risk without taking account of the value of any collateral obtained, is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at at July 2024				
Receivables from exchange transactions	68,534,177	68,534,177	-	-
Receivables from non-exchange transactions	77,560,417	77,560,417	-	-
Bank balances	560,183	560,183	-	-
Total	146,654,777	146,654,777	-	-

Customers in the fully performing category are paying their debts as they continue to trade. The credit risk associated with these receivables is minimal, and the allowance for uncollectible amounts that the Office of the Controller of Budget has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Office of the Controller of Budget has a significant concentration of credit risk on amounts due from prepayments, the National Treasury, and cash and cash equivalents. The Office of the Controller of Budget sets credit policies and objectives and lays down parameters for the various aspects of credit risk management.

ii) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the office directors, who have established an appropriate liquidity risk management framework to manage the office's short-, medium-, and long-term funding and liquidity requirements. The office manages liquidity risk by continuously monitoring forecasts and actual cash flows.

The table below represents cash flows payable by the office under non-derivative financial liabilities, categorised by their remaining contractual maturities as of the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

*Office of the Controller of Budget***Annual Reports and Financial Statements for the year ended June 30, 2025.**

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Trade payables	78,006,527	-	-	78,006,527
Provisions	55,062	3,133,963	8,983,092	12,172,117
Total	78,061,589	3,133,963	8,983,092	90,178,644

iii) Market risk

The office has established an internal audit function to support ongoing risk assessment for the Office of the Controller of Budget, evaluating and testing the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rates, equity prices, and foreign exchange rates, which affect the office's income or the value of its holdings of financial instruments. Market risk management aims to manage and control market risk exposures within acceptable parameters while optimising the return. The Audit and Risk Management Committee is responsible for managing market risk. The office Finance Department is responsible for developing detailed risk management policies (subject to review and approval by the Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the office's exposure to market risks or how it manages and measures them.

iv) Capital Risk Management

The office's capital risk management aims to safeguard the office's ability to continue as a going concern. The Office of the Controller of Budget capital structure comprises the following funds:

	<i>FY 2024/25</i>
	Kshs
Revaluation Reserve	13,194,391
Retained Earnings	92,541,492
Total Funds	105,735,883
Less: Cash And Bank Balances	(560,183)
Net Debt/(Excess Cash and Cash Equivalents)	560,183
Gearing	-

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

20. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the office include those who can exercise control or significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the office of the Controller of Budget, holding 100% of the office equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the office, domestic and external.

Other related parties include:

- i) The National Treasury and Economic Planning
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Ministries, Departments and Agencies
- v) Key management.

	<i>FY 2024/25</i>
	Kshs
Transactions with related parties	
a) Sales to related parties	-
b) purchases from related parties	
Training and conference fees paid to the Kenya School of Government	5,171,994
Total	5,171,994
c) Grants /transfers from the government	
Grants from the National Treasury and Economic Planning (Exchequer)	624,537,066
Total	624,537,066
b) Expenses incurred on behalf of a related party	-
Payments of salaries and wages for five employees	2,128,368
c) Key management compensation	
Compensation to key management	56,516,391
Total	58,644,759

Office of the Controller of Budget

Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

21. Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

22. Ultimate and Holding Office of the Controller of Budget

The office's ultimate parent is the Government of Kenya.

23. Currency

The financial statements are presented in Kenya Shillings (Kshs) and are rounded off to the nearest shilling.

Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is a summary of the issues raised by the external auditor, along with management's comments provided to the auditor.

Reference No. On the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of matter 1	Non-compliance with the one-third rule on the deduction of employees' salaries	The Audit observation is accurate. However, the Employment Act, 2007, Section 19(3) provides for any other written law that may vary the employee's salary to be below two-thirds. Therefore, the Affordable Housing Act, 2024 establishes the affordable housing levy (Levy) to be imposed at the rate of 1.5% of the gross salary of an employee with a matching contribution being made by the employer, and 1.5% of the gross income for persons earning income (other than employment income). Therefore, the Levy has increased the staff deductions so that they are now above the threshold of the two-thirds rule. The Head of HR has written to individual staff members, asking them to rationalise their deductions.	Resolved	N/A

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

Emphasis of matter 2	Delayed recruitment of the Audit & Risk Committee Members	Further, management has received approval of the new grading and salary structure, as well as the Job Evaluation Report, from the Salaries and Remuneration Commission (SRC), and implementation is currently underway. There were indeed delays in recruiting the Audit Committee. However, the recruitment process has since commenced. An advertisement for Audit Committee members was placed on August 6, 2024, and a lengthy list was developed. The method of interviewing and selecting the Chairperson and Members is ongoing. The Audit and Risk Committee will be established and operational by February 2025. Attached is a copy of the Advertisement. The previous members of the Audit and Risk committee were required to self-evaluate and submit their evaluation report to the CoB to determine whether they could qualify for a second term. Still, they did not perform the self-evaluation required by the National Treasury guidelines for the financial year 2023/2024. The delay in self-evaluation by the previous Audit and Risk committee Chairperson and members caused further delay in recruiting the new committee.	Resolved	N/A
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Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

		The Committee was appointed in November 2020. Since then, it has held quarterly meetings according to the approved meeting schedules. For the financial year ending June 30, 2024, the committee held two meetings until December, when its term expired. The meetings were held on September 26, 2023, and November 14, 2023. Additionally, management has recruited new Committee members who were appointed in December 2024. The Committee held its inaugural meeting in March 2025, attended an induction program in April 2025, and participated in a sensitization program organized by PSASB in May 2025. Further, the Committee is fully operational and continues to conduct its business to strengthen the governance structure and ensure full compliance with statutory obligations and professional standards going forward.		
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Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

		The Committee was appointed in November 2020. Since then, it has held quarterly meetings according to the approved meeting schedules. For the financial year ending June 30, 2024, the committee held two meetings until December, when its term expired. The meetings were held on September 26, 2023, and November 14, 2023. Additionally, management has recruited new Committee members who were appointed in December 2024. The Committee held its inaugural meeting in March 2025, attended an induction program in April 2025, and participated in a sensitization program organized by PSASB in May 2025. Further, the Committee is fully operational and continues to conduct its business to strengthen the governance structure and ensure full compliance with statutory obligations and professional standards going forward.	
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Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.



FCPA Dr Margaret Nyakang'o, CBS
ICPAK Member: 2145
CONTROLLER OF BUDGET

Date: 25/11/2025

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

- Appendix II: Projects implemented**
- The Office did not implement any projects during the reporting period.

Office of the Controller of Budget
Annual Reports and Financial Statements for the year ended June 30, 2025.

Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Transport equipment (Motor Vehicles)	23,318,114	-	-	-	23,318,114
Office equipment, furniture and fittings	2,933,875	-	-	-	2,933,875
ICT Equipment	16,649,342	4,914,455	-	-	21,563,797
Machinery and Equipment	1,041,683	214,600	-	-	1,256,283
Total	43,943,014	5,129,055	-	-	49,072,069

CHAPTER 5

EMERGING ISSUES



EMERGING ISSUES

a) Transition from International Public Sector Accounting Standards (IPSAS) Cash to IPSAS Accrual Reporting

Article 201(e) of the Constitution calls for clarity in fiscal reporting as one of the fundamental principles that govern public finance management in Kenya. The PFM Act 2012 further stipulates statutory reporting requirements.

On 7th March 2024, the Cabinet issued a memo requiring all MDAs, including the OCoB, to transition from cash-based to accrual reporting. Some of the challenges observed in cash reporting include limited asset accounting reporting, increased Pending Bills, and insufficient disclosures for adequate decision-making.



Figure 16: OCoB Staff during an IPSAS Accrual Workshop at Sawela Lodges in Naivasha.

Accrual reporting enables entities to maintain complete records on assets and liabilities, better manage risks and payables, and provide proper disclosures for decision-making. In 2023/2024, the CoB established three IPSAS Committees to oversee the efficient transition to IPSAS accrual reporting. The transition period commenced in FY 2024/25.

b) Exchequer Automation

The automated Exchequer process for the National Government was rolled out in FY 2024/25. Approval of withdrawals from the Consolidated Fund, including transfers to MDAs, Pensions and gratuities, Salaries, Allowances and Miscellaneous, has been onboarded into the automated system. The repayments of external debt and foreign payments, such as salaries of Civil Servants working outside the Country, are undergoing user acceptance testing. The remaining components of the exchequer process

that are yet to be automated are repayments of domestic debt and disbursements of the equitable share of revenues raised nationally to respective CRFs.

The automation of exchequer requisition and withdrawal approval from the CRF began during FY 2023/24. Gathering of user requirements and system design was completed. The development of the system awaits the identification and engagement of a consultant.

b) Increased Requests to Provide Information on Budget Implementation from Stakeholders

The OCoB has received increased requests for information on budget implementation from various stakeholders, including Parliament, Ethics and Anti-Corruption Commission (EACC), Directorate of Criminal Investigations (DCI), professional bodies, and members of the public. In most instances, the requested information is voluminous and strains available financial and personnel resources. The Office is exploring efficient modalities to provide the requested information regularly.

c) Green Technology

Green Technology refers to developing and applying innovative solutions to minimise the negative environmental impact. It focuses on creating products, systems, and processes that promote the conservation of natural resources, reduce environmental degradation, and contribute to a more sustainable future. The CoB shall develop techniques and modalities to promote green technology, including automating processes to go paperless and ensuring proper e-waste disposal.

d) Treasury Single Account (TSA)

TSA is a unified structure of government bank accounts that enables the consolidation and optimal utilisation of government cash resources. It is a significant reform initiative that ensures effective aggregate control over government cash balances, budget execution, and commitment control. TSA is supported by Section 28(2) and Section 119(2) of the PFM Act, 2012, for the National and County Governments, respectively.

The TSA process has been a collaboration of three government entities: the National Treasury, the Office of the Controller of Budget and the Central Bank of Kenya since FY 2023/2024. Development of this account is on a phased approach and is expected to have all entities onboarded by the end of the third year.

The National Treasury has issued guidelines on the phased implementation of TSA to ensure effective management of government resources. The Secretariat, established in August 2025, has made significant strides in realising this objective. The implementation of the TSA arrangement is expected to result in:

- i. Reduced interest paid on overdrafts.
- ii. Enhanced visibility and complete and timely information on government cash resources.
- iii. Improved budgetary execution, leading to better service delivery to citizens.
- iv. Improved quality of fiscal data.
- v. Reduced idle cash balances and availability of cash for short-term borrowing.

- vi. Enhanced transparency in managing public finances.
- vii. Compliance with the PFM Act 2012.

e) Digital Transformation and Cyber Security

As the OCoB embraces integrating digital technologies for efficient service delivery, its systems will be vulnerable to cybersecurity and data privacy breaches. Secure digital transformation will require continuous investments in capacity building, ICT infrastructure, and the development of policy guidelines. This will be key to ensuring safe and effective adoption of the digital transformation.

f) Data Protection

Section 18(1) of the Data Protection Act, 2019 provides that no person shall act as a data controller or data processor unless registered with the Data Commissioner. The CoB is a data processor and controller within the meaning of Section 2 of the Data Protection Act, 2019. In carrying out its mandate, the CoB handles sensitive personal data, requiring strict adherence to existing legal safeguards.

To ensure compliance with the DPA, 2019, the OCoB has been registered with the Data Protection Commissioner as a data controller and processor. Further, the Office has committed to developing a Data Protection Policy to provide a framework for enhancing data protection safeguards in compliance with the Act.

5.1 CHALLENGES

During FY 2024/25, the CoB faced the following fundamental limitations, which adversely affected the achievement of its programs and activities.

- i. **Inadequate legal framework for executing the CoB's Mandate:** Budgetary constraints limited the Office's ability to finalise the amendment of the CoB Act, 2016 and development of the CoB Regulations.
- ii. **Lack of technological advancement:** Most of the CoB's ICT infrastructure, hardware, software, and networking technology are obsolete, having been acquired in 2013. Further, the office could not develop an off-site data recovery site to back up its systems and data.

iii. **Inadequate Funding to carry out monitoring and evaluation of national government projects**

The Office carried out monitoring and evaluation visits to the Counties during the period. The office has not been able to conduct monitoring of the national government projects due to limited funding allocation from the national government.

- iv. **Inadequate budgetary allocation** to publish County-specific and popular versions of the Budget Implementation Review Reports (BIRRs).
- v. **Inadequate office space:** The CoB continues to experience Challenges in acquiring office space for its employees in the Counties. The lack of adequate office space has hindered the effective and efficient delivery of the CoB's mandate. In addition, the Office has faced financial constraints that have hampered efforts to partition the newly acquired office space at the National Bank building.

5.2 CONCLUSION

•The OCoB remains steadfast in its commitment to promoting prudent and accountable management of public finances at both the national and county government levels. Effective delivery of this mandate, however, is contingent on the National Government providing adequate and predictable funding. The office will continue to collaborate closely with key stakeholders in the public finance management ecosystem, including committees of the National Assembly and the Senate, development partners, and members of the public, in the execution of its oversight role.

In this regard, the CoB calls upon all public sector stakeholders to support collective efforts to monitor the use of public resources and ensure that they are applied efficiently and in the best interest of all citizens.





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