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The IPPD system and its successor, HRIS-Ke as set up does not provide for separate Job grading model/ Job groups. This means that the job groups in the system is not equivalent/ does not tally with the grading use in the scheme of service for the ECDE assistants. However, to ensure that the staff under this code are paid, the management adopted the use of special salary.

3.4 Irregular Payment of Non-Practicing Allowance

Non-practicing allowance amounting to Kshs.1,182,500 was paid to thirty-six (36) officers who were not entitled to earn non practicing allowance. This was contrary to Salaries and Remuneration Commission Circular No. SRC/TS/29(81) of 10 August, 2023 which approved payment of this allowance to medical officers, dental officers or pharmacists.

Management Response

Non-practicing allowance paid were as a result of staff attached to assignments that are over and above the prescription of their job description as per HR policy and procedures manual item No. 55 attached as Annex 3.3

3.5 Irregular Payment of Uniform Allowance

Uniform allowance amounting to Kshs.4,280,000 was paid to four hundred and twenty eighty (428) nurses in the year under review. This was contrary to the Salaries and Remuneration Commission circular SRC/TS/HWI/3/23 Vol II (57) which states that nurses uniform allowance is non remunerative and nurses should be issued with uniform.

Management Response

The SRC vide their circular reference No. SRC/TS/CGOVT/3/61 Vol. III/

(136) and dated 14th September 2015 (Part V) attached as Annex 3.4provides for the payment of uniform allowance to nurses at a flat rate of 10,000 shillings per annum.

Staff members from the former local authorities derive their remuneration authority from the collective bargaining agreement signed in September 2012 attached as annex 3.5, enumerates their earnings in British pounds and is therefore translated to Kenya Shillings and its equivalent J/G in the AC pay group.

3.6 Overpayment of Basic Salary

Eighty-three (83) officers inherited from the defunct local authorities were paid basic salaries amounting to Kshs.41,123,030 higher than the maximum recommended amounts from the collective bargaining agreement of 01 September 2012 totalling Kshs.25,595,277 resulting to an overpayment of Kshs.15,527,753.

Management Response

Staff members from the former local authorities indeed derive their remuneration authority from the collective bargaining agreement signed in September 2012. The CBA enumerates their earnings in British pounds and is therefore translated to Kenya shillings and its equivalent J/G in the AC pay group. The conversion table has been availed for audit verification and is hereby attached as Annex 3.6

3.7 Irregular Payment of Responsibility Allowance

Fifty-three (53) officers were paid responsibility allowances amounting to Kshs.1,337,000. However, this allowance was not specified in the respective officers' appointment letters. The above salaries and allowances were paid contrary to Section 11 (f) of the Salaries and Remuneration Commission Act, 2011 which states that the Commission shall make recommendations on matters relating to the salary and remuneration of a particular state or public officer.

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

Management Response

Responsibility allowance paid were as a result of staff assigned extra assignments that are over and above the prescription of their JD's as per HR policy and procedures manual no. F11.

Committee Observation

1. The Committee observes that the payment of Kshs.48,181,528 in various allowances to 1,454 officers, including Special House Allowance, Extraneous Allowance, Non-Practicing Allowance, and Responsibility Allowance, was done without the requisite approvals from the Salaries and Remuneration Commission (SRC) or was paid to ineligible staff.

2. This is a direct contravention of Section 11(f) of the Salaries and Remuneration Commission Act, 2011, and the SRC circulars, and constitutes unlawful and irregular expenditure as defined by the PFM Act, 2012. The overpayment of basic salaries to

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former local authority staff highlights a failure to align remuneration with SRC guidelines.

Committee Recommendations

1. **The Committee directs the County Public Service Board and the County Treasury to conduct a comprehensive payroll audit to identify and rectify all instances of irregular allowances and salary overpayments.**

2. **A recovery plan for all unlawful payments must be developed and implemented, in line with Section 19 of the Employment Act, 2007, regarding permissible deductions from wages. The County must ensure that all remuneration packages are aligned with SRC recommendations and clearly specified in appointment letters, as required by the Human Resource Policies and Procedures Manual.**

3. **A report on the audit and recovery actions shall be submitted to the OAG and the Senate within ninety (90) days.**

4. **Non-Compliance to Salaries and Remuneration Guidelines for Early Childhood Development and Education (ECDE) Teachers**

Review of records revealed that one thousand three hundred and seventeen (1,317) Early Childhood Development Education (ECDE) teachers were paid special salaries amounting to Ksh. 154,633,647. However, the teachers were not mapped into the correct grading structure based on their qualifications. This was contrary to the SRC Circular referenced No. SRC/TS/24/6 and dated 13 January, 2021, which requires ECDE teachers to be mapped into the correct grading structure based on their qualifications.

Further, the appointment letters outlined earnings broken down into basic salary, house allowance and commuter allowance. However, these were not properly mapped into the HRIS system, and the ECDE teachers did not automatically progress according to the established salary scales.

In the circumstances, Management was in breach of the Salaries and Remuneration Commission guidelines.

Management Response

The approved Job evaluation grading and remuneration structure for the Early Childhood development and Education (ECDE) Teachers and caregivers JE grade C1 through an SRC Circular Ref. No. SRC/TS/JE/CG/3/33/6 Vol. V(30) of 10th December 2021 attached as Annex 4.1 has now been adopted by the County vide CPSP/LETT/02/02/2024 AND CPSB.MIN 4/5/1/2024 Dated 2nd February 2024 attached as Annex 4.2 .The IPPD system and its successor, HRIS-Ke as set up does not provide for separate Job grading model/ Job groups. This means that the job groups in the system is not equivalent/ does not tally with the grading use in the scheme of service for the ECDE assistants. However, to ensure that the staff under this code are paid, the management adopted the use of special salary. The management have since been in touch with the department of public service management for system intervention that will ensure that the staffs in question are paid with proper earning headings.

Committee Observation

The Committee observes that the failure to map 1,317 ECDE teachers into the correct grading structure based on their qualifications is a breach of SRC Circular No. SRC/TS/24/6 of 13 January 2021. The use of "special salaries" as a workaround demonstrates a systemic failure to properly configure the HRIS and adhere to established public service staffing norms, contravening the principles of fair labour practices under Article 41 of the Constitution.

Committee Recommendation

The Committee recommends that the County Executive, in collaboration with the Department of Public Service Management, must immediately and fully integrate the approved ECDE teacher grading structure into the HRIS. All ECDE teachers must be mapped to their correct grades, and their pay must reflect all statutory salary components. A report on this mapping and its budgetary implications shall be submitted to the County Assembly and the OAG within ninety (90) days.

5. Irregularities in Recruitment of Staff

Review of staff records revealed that the County Public Service Board recruited a total forty-seven (47) officers into various positions in the County during the year under review. However, Management did not prepare annual human resource plan and annual

recruitment plan as required by Section B.2 (1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

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Further, two officers were recruited in the cadres of assistant director intergovernmental relations and internal auditor II that could not be traced in the staff establishment gaps. In addition, four (4) officers were recruited in the cadres of hospitality officer I, registered clinical officer II, medical laboratory technologist II and registered nurse II. However, the positions had not been declared vacant and advertised. This was contrary to Section 66 of County Governments Act, 2012 which requires the County Public Service Board to invite applications through advertisement and other modes of communication so as to reach as wide a population of potential applicants as possible

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

Management Response

The County employs personnel based on the approved staff establishment and recruitment plan attached as **Annex 5 (a).** This forms the basis for recruitment subject to approval of CHRMAC.

The officer who was recruited as Assistant Director Intergovernmental relations was as a result of a County Public Service Board meeting held on 12th April 2024 vide minute no. CPSB/4/3/4/2024 attached as **Annex 5 (b)** that created the position.

The position of Internal Auditor II is well captured in the approved staff establishment attached as **Annex 5 (c)**

The four positions of Hospitality Officer I, Registered Clinical Officer II, Medical Laboratory Technologist II and Registered Nurse II were declared as vacant and the recruitment process duly followed. Attached as **Annex 5(d)** is the indent and vacancy advertisement.

Committee Observation

The Committee observes that the recruitment of 47 officers without approved annual HR and recruitment plans, and the hiring of two officers into non-existent positions, violates Section B.2 (1) and (2) of the Human Resource Policies and Procedures Manual and Section 66 of the County Governments Act, 2012, which requires vacancies to be declared and advertised. This undermines fair competition and merit-based recruitment.

Committee Recommendation

The Committee directs the County Public Service Board to prepare and secure approval for annual human resource and recruitment plans before undertaking any future recruitments, in line with Section 59 of the County Governments Act, 2012. All recruitments must be strictly aligned with the approved staff establishment and identified vacancies.

6. Irregular Engagement of Casual Workers

Review of the records revealed that expenditure amounting to Kshs.119,081,002 was incurred on casual wages during the year under review. Payments to the casuals were made to the heads of departments on a monthly basis. However, the payments were not accounted for by the Departmental Heads and documentary evidence in support of the number of casual workers engaged and their approved rates of payment was also not provided.

Further, the casuals were appointed by the respective Heads of Departments without authority and approvals by the County Public Services Board. This was contrary to section 74 of the County Governments Act, 2012 which states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.

In addition, the casuals were engaged for more than three (3) months without review of their terms contrary to Section 37(1)(b) of the Employment Act, 2007 which states that where a casual employee performs work for more than three months, the contract of service shall be deemed to be one where wages are paid monthly. This exposes the County to possible litigation for unlawful terms of employment.

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

Management Response

The casuals were engaged on need basis in the department of agriculture, administration and finance through authority from the public service board. The casuals in agriculture are majorly engaged in tea plucking and are peculiarly exclusive to residents of Embomos ward and Konoin. The authority to engage casual are always filed in the respective departments. The payroll for casuals is in form of master roll which is always attached to the payment voucher and a copy kept in the respective department. A request for engagement for finance casual has been availed for audit verification attached as Annex 6.

Committee Observation

The Committee observes that the engagement of casual workers worth Kshs.119 million by departmental heads without the authority of the County Public Service Board is a direct contravention of Section 74 of the County Governments Act, 2012. Furthermore, engaging casuals for periods exceeding three months without review of their terms violates Section 37(1)(b) of the Employment Act, 2007, exposing the county to potential litigation.

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Committee Recommendation

1. **The Committee recommends that the County Public Service Board must immediately take over the regulation and oversight of all temporary staffing. All casual engagements must be centralized, approved by the Board, and processed through a proper HR framework.**

2. **The County Governor must conduct a review of all casual workers engaged for more than three months and regularize their terms in line with the Employment Act, 2007.**

7. Non-Conformity with Law on Recruitment of Persons with Disabilities

Review of the Government Human Resource Information System (GHRIS) data as at 30 June, 2025 revealed that out of the three thousand, nine hundred and ninety-nine (3,999) employees, thirty-nine (39) were public officers living with disability representing one percent (1%) of the total staff. This was contrary to Article 54 (2) of the Constitution of Kenya and Section B.23 (1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016 which states that the government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities.

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

Management Response

In all advertisements that the CPSB on behalf of Public Service put across to the public, the Government put emphasis on the recruitment of PWD's with a statement at the end of each advert reading 'The County Government of Bomet is an equal opportunity employer. Women and Persons with Disabilities are encouraged to apply. Sample is attached as **Annex 7**.' Every person living with disability and with appropriate qualification has been absorbed to Government's establishment. Going forward, the management will explore ways of encouraging more of the PWD's to show interest to available vacancies across the PS including setting aside positions for PWDs.

Committee Observation:

The Committee notes with concern that only 1% of county employees are persons with disabilities (PWDs), falling short of the constitutional and statutory requirement of at least 5%. This is a direct contravention of Article 54(2) of the Constitution and Section B.23 of the

Human Resource Policies and Procedures Manual, and represents a failure to implement affirmative action.

Committee Recommendation

The Committee directs the County Public Service Board to develop and implement a deliberate and effective strategy to increase the representation of PWDs in the county public service. This shall include specific targets in all future recruitment advertisements, and consideration of setting aside positions for PWDs, in line with the Constitution and national policies on affirmative action. A progress report shall be submitted to the Senate within six months.

8. Irregular Promotion of Staff

Review of the payroll records revealed that six hundred and fifty-eight (658) officers were promoted to higher job grades during the year under review. However, the number of vacancies, date of occurrence and other relevant details were not declared. This was contrary to Section B.3 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires authorized officers to declare all vacant posts to the Public Service Commission in accordance with the procedure set out in the Commission's regulations.

Further, internal advertisements, a list of applicants, shortlisting and interview minutes and a budget for the promotions in support of the recruitment were not provided for audit review. Although the Management explained that the promotions were due to long stagnation and harmonization of various job cadres, no proper justification was given to support the movement. This was contrary to Section B.25 of the Manual which requires promotions in the public service to be based on qualifications and other requirements for appointment as stipulated in the career progression guidelines.

In addition, performance appraisals were not conducted to justify the officers' competence, merit and ability to perform in the new cadres. This was contrary to Section G.18(2) of the Manual that requires the placement, promotion and mobility of staff within and across the Civil Service to be based on performance appraisal.

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

Management Response

All promotions that have been carried out have complied with budgetary approval from the relevant department. The promotions carried out during the FY were as a result of stagnation

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that has been witnessed before and therefore was to correct an anomaly. It is noteworthy also that the promotions authorized were all in the common establishment cadre. However, the management undertakes to revamp the guiding policies and guidelines and strengthen internal controls, effectively complying with the principles in the public service management together with applicable principles in the public finance management.

Committee Observation

The Committee observes that while management has explained the promotions as correcting stagnation, the failure to base promotions on declared vacancies, performance appraisals, and a competitive process violates Sections B.3, B.25, and G.18(2) of the Human Resource Policies and Procedures Manual. This practice undermines meritocracy and can lead to a bloated and demotivated workforce.

Committee Recommendation

The Committee recommends that all future promotions must be based on declared vacancies within an approved staff establishment. The County Public Service Board must ensure a transparent and competitive process, and performance appraisals must be conducted and documented to support merit-based promotions, as per the Human Resource Policies and Procedures Manual.

9. Retention of Staff Beyond Mandatory Retirement Age

Review of the payrolls provided for audit revealed that twenty-seven (27) employees who had been paid emoluments totalling Kshs.3,075,514 during the year under review had attained the retirement age of sixty (60) years but were still appearing in the June, 2025 payroll. This was contrary to Section D.21 of the Human Resource Policies and Procedures Manual, 2016 on mandatory retirement age which states that all officers shall retire from the service on attaining the mandatory retirement age of sixty (60) years, and sixty (65) years for persons with disabilities. Management did not provide reasons for the irregular retention of the employees who were neither persons with special needs nor political appointees beyond the mandatory retirement age.

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

Management Response

The staff listed here have all been retired under the statutory retirement age requirements except state officers who were appointed to serve on fixed term and will therefore retire once their contracts lapses.

Committee Observation

The Committee observes that the retention of 27 employees beyond the mandatory retirement age of 60 years in the payroll is a direct contravention of Section D.21 of the Human Resource Policies and Procedures Manual. This constitutes an irregular and unauthorized expenditure of public funds, as no legal or policy basis was provided for their continued employment.

Committee Recommendation

1. **The Committee directs the County Governor to immediately and permanently remove all employees who have attained the mandatory retirement age from the payroll, unless valid and legally approved contract extensions are in place.**

2. **The County Treasury and County Public Service Board must strengthen HR and payroll controls to prevent a recurrence.**

10. Non-Compliance with the One-Third of Basic Salary Rule

Review of the monthly payroll records revealed that one thousand two hundred and eighty-two (1,282) employees earned a net salary of less than one-third (1/3) of the basic salary in various months during the year under review. This was contrary to Section 19(3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

Management Response

Over committed staff salary occurred when housing levy and the new rates on SHIF and NSSF were automatically implemented. Implementation of pension deductions during the month of April 2021 on permanent and pensionable employees led to a brought forward effect on a third rule. This caused the salary of the listed staff members to drop below the threshold.

Committee Observation

The Committee observes that allowing 1,282 employees to earn a net salary below one-third of their basic salary is a breach of Section 19(3) of the Employment Act, 2007. While the management cites automatic statutory deductions as a cause, it remains the employer's responsibility to manage payroll to ensure compliance with the law.

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Committee Recommendations

The Committee recommends that -

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

11. **Non-Compliance with Law on Ethnic Composition of Staff**

The County Executive had three thousand, nine hundred and ninety-nine (3,999) employees as at 30 June, 2025 out of whom three thousand, eight hundred and ninety-one (3,991) or 99% were from the dominant community in the County. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one-third of its staff from the same ethnic community.

Further, the County Public Service Board employed forty-seven (47) new staff out of whom thirty-five (35) or 74% were from the local dominant community. This was contrary to Section 65(1) (e) of the County Governments Act, 2012 which provides that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

Management Response

The county government always encourages people from all over country to apply for positions through footnotes in advertisements done by the county public service board. The management has made a deliberate effort to ensure that compliance to the requirements of this Act is achieved in subsequent employments. The management is working towards ensuring that ethnic composition is corrected in other upcoming cadres and every subsequent recruitment.

Committee Observation

The Committee observes that the county's ethnic composition, with 99% from the dominant community, is in violation of Section 7(2) of the National Cohesion and Integration Act, which

prohibits any public establishment from having more than one-third of its staff from the same ethnic community. The recruitment of 74% of new staff from the dominant community also contravenes Section 65(1)(e) of the County Governments Act, 2012.

Committee Recommendations

The committee recommends that: -

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

12. Irregular Procurement of Garbage Collection Services

Review of procurement records revealed that the County Executive awarded a local company contract for provision of garbage collection services in five towns and market centres at a contract sum of Kshs.42,000,000 for a period of one year with effect from 9 February, 2024 to 9 January 2025. Included in the five collection points were two established municipalities of Bomet and Sotik. This was contrary to Section 12 (2) (e) of the Urban Areas and Cities Act, 2011 states that the Board of an area granted the status a City or Municipality shall be a body corporate with perpetual succession and a common seal and shall do or perform all other acts or things for the proper performance of its functions in accordance with the Act or any other written law which may lawfully be done or performed by a body corporate. No explanation was provided for the failure by County Executive Management to give the two Municipalities operational autonomy.

Further, Clause 6.4 of the contract required the contractor to pay driver's allowances since they were employees of the County. This implies that the contractor used the trucks and related machineries owned by the County Government of Bomet. However, the terms under which the equipment and machineries were leased to the contractor were not provided.

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

Management Response

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The Bomet and Sotik Municipality were given financial autonomy through a supplementary budget that was approved on 25th April, 2025 and Cabinet approval dated 29th August 2024 and staff secondment attached as **Annex 10 (a), (b)** and **(c)** respectively. At the time of initiation of tender to outsource garbage collection on 15th February 2024, the budget was under the Department of Lands, Housing and Urban Planning. This was necessitated by the urgent need for garbage collection, which is a continuous process. Attached as **Annex 11** is the signed contract for garbage collection

The drivers of the county garbage trucks had a fixed term contract with the County Government of Bomet. The contract had just lapsed when the agreement was entered into. The payment of the drivers was offloaded to the service provider who currently pays their wages and allowances.

The contractor leases and maintains the garbage trucks and equipment, namely; a tipper, tractor and a skip loader. The service provider pays revenue to the county as per the extract of lease agreement attached as **Annex 12(a).** Attached as **Annex 12(b)** are receipts from the revenue department.

Committee Observation

The Committee notes that the initial award of the garbage collection contract, which included the municipalities of Bomet and Sotik, was a violation of Section 12(2)(e) of the Urban Areas and Cities Act, 2011, which grants municipalities operational autonomy over such functions. The failure to document the leasing terms of county-owned equipment to the contractor also violated procurement and asset management principles.

Committee Recommendation

The Committee directs that all municipalities be accorded full operational and functional autonomy, including responsibility for service delivery such as garbage collection, as prescribed by the Urban Areas and Cities Act. The County must ensure that all future contracts involving the use of county assets are backed by documented and approved leasing or usage agreements, specifying terms, rates, and responsibilities.

13. Irregular Transfer of Funds to Kenya Red Cross Society

The County Executive of Bomet entered into a memorandum of understanding with the Kenya Red Cross Society (KRCS) on 04 May, 2018 for implementation of an integrated development programme at a cost of Kshs.595,367,014 for a period of five (5) years with expected completion date of 03 May, 2023. Review of the Project's primary bank account revealed that the County Executive had cumulatively transferred County funds totalling Kshs.197,927,079 or 83% of the agreed County Government's contribution ofKshs.238,146,806. An addendum to the memorandum of understanding between the two parties extending the project for a further one year was signed on 17 October, 2023. However, approval by the County Assembly or public participation for the intended beneficiaries of the funded projects were not provided for audit review.

Further, two commercial bank accounts were maintained for the project with joint signatories drawn from both the Kenya Red Cross Society and the Bomet County Executive. However, the accounts were operated and maintained by the KRCS. This was contrary to Regulation 87 (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Head of Accountancy Services to maintain a register of all bank accounts opened by County government entities including public funds and donor funded projects.

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

Management Response

i. Public participation is a core element as enshrined in the constitution under public participatory framework under Constitution of Kenya, 2010, Article 10(2), Articles(s) 174 and 232(d); that protects and empowers the citizens to engage in decision making and seek accountability on the issues that affect them. In lien with the same, public participation sensitization forums were conducted by both the county government and Kenya Red Cross Society for the beneficiaries. We hereby adduce evidence of the same vide the report and the participant list, for your perusal and review. See herein attached the report and participants list as **Annex 13 (a) and (b)**

ii. The project accounts are jointly operated by both the County Government of Bomet and the Kenya Red Cross Society as per article 5 (Funding & Management of Funds) of the MOU. All decisions regarding expenditures are made collaboratively during Project Steering Committee (PSC) meetings, ensuring transparency and mutual accountability for every transaction with account signatories drawn from both parties. To facilitate effective financial tracking, the County treasury has updated the official bank register to include the two joint project accounts. Attached as **Annex 13(c)** is an updated list of bank accounts.

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Committee Observation

The Committee observes that the operation of two commercial bank accounts for the integrated development programme by the Kenya Red Cross Society (KRCS) alone, without joint control by the County Treasury, contravenes Regulation 87(1) of the PFM (County Governments) Regulations, 2015. This regulation requires the County Head of Accountancy Services to maintain a register of and control over all bank accounts, including those for donor-funded projects. This lack of direct control exposes public funds to significant risk.

Committee Recommendation

The Committee directs the County Accounting Officer, in consultation with the County Attorney, to take immediate corrective action. All public funds must be held in bank accounts that are managed and operated by the County Treasury with joint signatories. Formal approval from the County Assembly must be sought for all projects of this nature. A report on the regularization of these accounts shall be submitted to the OAG and the Senate within sixty (60) days.

14. Irregular Operation of Commercial Bank Accounts

Review of records revealed that the County Executive held one hundred and forty-eight (148) commercial bank accounts. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that all County Government bank accounts should be opened at Central Bank of Kenya except for imprest bank accounts for petty cash.

Further, approval status of the accounts, dates when the bank accounts were opened, signatories to the bank accounts, certificate of bank balances as at 30 June, 2025, and evidence of submission of the authorisation letters for opening the commercial bank accounts to the Controller of Budget was not provided. The bank accounts were also not disclosed under other important disclosures in the financial statements.

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

Management Response

The commercial bank accounts are mainly accounts operated by health facilities as per the Facilities Improvement Financing Act, 2023 (2) which states that there shall be opened facility improvement financing account for each public health facility into which all monies received by or on behalf of all public health facilities shall be paid. The list of banks, authorization letters, certificate of bank balances and extract of FIF act has been availed for audit verification and copies have been attached as **Annex 14**

Committee Observation

The Committee observes that the operation of 148 commercial bank accounts is a direct breach of Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, which mandates that all county government bank accounts, with the exception of petty cash imprest accounts, be held at the Central Bank of Kenya. While health facility accounts may be justified under the Facilities Improvement Financing Act, their proliferation and operation outside the CBK without proper approval from the Controller of Budget undermines Treasury Single Account (TSA) operations and cash management.

Committee Recommendation

1. **The Committee directs the County Treasury to prepare a comprehensive register of all bank accounts, including approval status, signatories, and balances.**

2. **The County must immediately seek to close and or where necessary regularize these accounts by ensuring they are closed, either moved to the CBK, or have the requisite approval from the Controller of Budget, in accordance with Regulation 82 and 87 of the PFM (County Governments) Regulations, 2015.**

15. Failure to Establish County Emergency Fund

The statement of financial performance reflects other grants and subsidies expenditure totalling Kshs.350,106,165. The amount includes emergency expenditure of Kshs.1,780,000 as disclosed in Note 11 to the financial statements. However, requests for the emergency assistance and needs assessment stating the nature and extent of emergency were not provided for audit review. This was contrary to Section 112 (2) of the Public Finance Management Act, 2012 which requires emergency expenditure to be guided by regulations and relevant laws and it is established that the payment cannot be delayed until a later financial year without harming the general public interest.

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Further, Management had not established and operationalized a County Emergency Fund. This was contrary to Section 110 (2) of the Public Finance Management Act, 2012 which provides that a County Executive may establish an Emergency Fund to enable payments to be made when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

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

Management Response

Annex 15 (a) Cabinet Approval

Annex 15(b) Forwarding letter to County Assembly Annex 15 (c) Emergency fund Act

Annex 15 (d) Emergency fund regulations

Committee Observation

The Committee observes that the failure to operationalize a County Emergency Fund, despite making emergency expenditure of Kshs.1,780,000, contravenes Section 110(2) of the PFM Act, 2012, which empowers a County Executive to establish such a fund. This omission means emergency expenditures were not subjected to the proper legislative and procedural controls designed to ensure they are urgent, unforeseen, and in the public interest.

Committee Recommendation

The Committee directs the County Executive to fast track the operationalization of the County Emergency Fund, in line with the County Emergency Fund Act and its regulations. All future emergency expenditures must be adequately supported by formal requests and needs assessments, and processed through the Fund to ensure compliance with Section 112 of the PFM Act, 2012.

16. **Irregular Transfers of Commodities to Co-operative Societies and Special Groups**

During the year under review, expenditure totalling Kshs.8,039,500 was incurred on various commodities and items including iron sheets, phones, egg incubators, mango seedlings, avocado seedlings and blankets. Management explained that the items were meant for distribution to the special groups including the vulnerable persons, people living with disability and women with the main objective of economic empowerment. However, documentation to support the criteria applied in the selection process or eligibility criteria for the groups, schedule of beneficiaries,

registration documents for the groups, acknowledgement forms, monitoring reports on the outcomes and impact of the project were not provided for audit.

In the circumstances, value for money was not achieved.

Management Response

Hon Chair, the expenditure was incurred under the County's Economic Empowerment Program, targeting special groups such as persons with disabilities, women, youth, and other vulnerable members of society. The purpose was to support livelihood enhancement and promote self-

sufficiency through the provision of income-generating items. This is in line with the department's mandate as enshrined in the CIDP.

The requisite documents, including minutes, requests, the list of beneficiaries and the ad hoc committee reports have been availed as **Annex16 (a)**

The following measures were undertaken during the selection process: The selection process starts with the department through receipt of requests from the community, individuals, PWDs and vulnerable groups.

The requests were verified by the Social Welfare Officer (SWO) and once all the requests were received and consolidated, the Chief Officer appointed an Ad Hoc Committee to deliberate on the requests.

The impact assessment report has been availed for verification in **annex 16 (b)**

Committee Observation

The Committee observes that the initial failure to provide documentation for the Kshs.8 million economic empowerment programme indicates a weak system of accountability. While management later provided some documentation, this highlights a need for established, transparent procedures to govern such programmes to ensure value for money and prevent misuse of public funds, as required by Article 227 of the Constitution.

Committee Recommendation

The Committee recommends that the County Executive develop and formally adopt a policy on the selection criteria and management of economic empowerment programmes. This policy must mandate a robust monitoring and evaluation framework to track the outcomes and impact of such projects. A copy of this policy shall be submitted to the OAG and the County Assembly within ninety (90) days.

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17. Irregular Engagement of Consultants for Legal Services

Review of records revealed that the Office of the County Attorney had a list of fifty-two (52) cases out which thirty-two (32) were being handled by private law firms and twenty (20) by inhouse advocates. However, the procurement for the external legal services was not approved by the County Executive Committee. This was contrary to Section 16(1) of the Office of the County Attorney Act, 2020 which states that a department or public entity established within a County Executive shall not engage the services of a consultant to render any legal services relating to the functions of the County Attorney without the approval of the County Executive Committee.

Further, the outsourced legal services were not competitively done since they were directly procured by the County Attorney through issuance of written instructions. This was contrary to Section 119(3) of the Public Procurement and Asset Disposal Act, 2015, which requires the accounting officer of a procuring entity to advertise the notice inviting expressions of interest.

In addition, the legal cases included twenty-five (25) cases which had been outstanding for over four (4) years awaiting the ruling. Continued delays in the pending matters may result in escalation and nugatory costs to the management and eventual loss of public funds.

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

Management Response

In instances where the management utilized the services of external law firms, the same were identified from a list of pre-qualified firms on a competitive basis. Attached herewith as annex 17(a) is the professional opinion. The department has since recruited more staff including a county solicitor hence all the matters are being handled internally.

Outsourced for 2022 Attorney signed Nature of cases immediate

The delay in conclusion of some court matters is attributable in part to the courts not sitting leading to adjournment. This was especially so during the Covid-19 pandemic. Attached as Annex 17 (b) are the correspondence. However, most of the matters have since been concluded.

Committee Observation

The Committee observes that the direct procurement of external legal services without the approval of the County Executive Committee violates Section 16(1) of the Office of the County Attorney Act, 2020. Furthermore, the failure to competitively tender for these services contravenes Section 119(3) of the Public Procurement and Asset Disposal Act, 2015, which requires the advertisement of opportunities.

Committee Recommendations

1. **The Committee directs that all future procurement of legal services must adhere to the PPADA, 2015. The Office of the County Attorney must develop a case management framework to monitor and fast-track long-outstanding cases to mitigate potential financial losses from penalties and accrued interest.**

2. **A report on the status of pending cases and steps taken to enhance internal legal capacity shall be submitted to the County Assembly, the Senate and the Office of the Auditor-General within ninety (90) days**

18.Incomplete Routine Maintenance of Roads

Review of project documents revealed that a local contractor was awarded a contract for construction of 1.93 Kilometre Chebirir Tarmac-Kabisoge Road at a contract sum of Kshs.3,859,900. However, physical inspection conducted in July, 2025, revealed that only 1.85 Kilometres of the planned works had been completed, leaving a section of unfinished works despite full payment to the contractor. Similarly, another contractor was awarded contract for construction of 2.06 kilometres of Olng'oswet - Road Block -Kiptobit Road at a contract sum of Kshs.4,100,368. However, physical verification revealed that only 1.7 kilometres had been completed.

Further, poor drainage was observed in middle sections of the road which retained flood water thereby posing a great danger to motorists and pedestrians.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

Chebirir Tarmac-Kabisoge Road

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The road measuring 1.93Km long had a section of 0.08Km incomplete at the time of Audit. This was occasioned by excessive rains that made the clay - section muddy with deep potholes and inaccessible. The road has since been completed by the contractor making good all the defects caused by the excessive rains in the entire section of the road. The road as at the time of the latest inspection was complete and operational. See the attached photos as per **Annex 18 (a)**

Olng'oswet – Road Block – Kiptobit Road

This road had two sections namely: Road block – Kiptobit Loop starting and ending in the B3 Tarmac road and Olngoswet – Quarry section. Road block – Kiptobit loop measures 1.762Km as shown in plate 1. Olng'oswet Section measures 0.32Km as shown in Plate 2. This combined road program had a total length of 2.082Km as shown in the Google earth extract maps Attached as **Annex 18(b)**.

The road sections were completed with proper side drainage channels

Committee Observation

The Committee notes that while the roads have since been completed, the initial incomplete works and full payment point to inadequate contract supervision and monitoring. This is a failure to ensure value for money as required by Section 149(1) of the PFM Act, 2012. Poor drainage in some sections indicates potential non-compliance with design standards.

Committee Recommendation

The Committee directs the Accounting Officer for the Department of Roads to strengthen contract monitoring and supervision mechanisms to ensure full compliance with design standards, timelines, and quality requirements. The County must institute and enforce penalties and corrective measures against contractors for delays or substandard work, as provided for in the contract agreement and the PPADA, 2015.

19. Poor Implementation of School Milk Program

Review of contract records revealed that Management awarded the New Kenya Cooperative Creameries Limited, a tender for the supply of 1,221,956 packets of 200 millilitres pacoh school milk to all ECDE centres in the County at a contract amount of Kshs.35,000,000 for a period of six (6) months commencing 11 December, 2024. However, only 581,343 packets of milk all totalling Ksh. 17,879,550 which is equivalent to 48% of the expected packets were supplied.

Physical verification and interviews conducted revealed that the beneficiary ECDE centres stopped receiving milk in the month of February, 2025.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

KCC supplied a total of 1,333,563 packets of 200 milliliters pack school milk to all ECDE centers in the County. Out of the 1,346,563 packets of 200 milliliters pack, a total of 687,675 packets were supplied during the year under review while 645,888 were supplied in the current financial year of 2025/26. Attached as Annex 19(a) are the schedules of the supplies.

The milk was supplied continuously including the Month of February, 2025 as per attached distribution schedules and signed acknowledgments from schools attached as Annex 19(b).

Committee Recommendation

1. **The Committee recommends that the Accounting Officer for Education enforce the terms of the contract strictly. A robust monitoring and reporting framework must be established to track supplies against the delivery schedule, using signed acknowledgment forms as primary evidence.**
2. **The OAG is instructed to keep this matter in view and report on full compliance in the next audit.**

20. Delayed Construction of Governor's Official Residence

Review of project records revealed that a contract for construction of the governor's official residence was signed on 31 January, 2019 at a contract sum of Kshs.78,014,233 with an expected completion date of 15 May,2021. However, the contract sum exceeded the ceiling set by the Salaries and Remuneration Commission (SRC) of Kshs.45,000,000 as stipulated in the Circular No. SRC/TS/COG/6/61/48 VOL.11 (64). Documents to confirm the exemption of the above over-expenditure were not provided for audit review.

Further, review of the project's progress report dated 20 September, 2023 confirmed that the contractor had permanently abandoned the site after receiving payments totalling Kshs.35,420,722 or 45% of the contract amount and as a result, the contract was formally reported as terminated on 17 April,2024. However, no valuation report was provided to establish the status and value of the works completed or an assessment of the financial losses incurred and there was no evidence that Management invoked or enforced the bond to recover losses resulting from non-performance. This was contrary to Clause 11.3.2 of the contract agreement, which

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empowered the employer to terminate the contract and recover any excess costs incurred in re-procuring undelivered services.

In addition, Management re-tendered for the completion works and new contract of Kshs.41,635,470 was entered into on 17 December, 2024 for a duration of 12 months with an expected completion date of 17 December,2025. As at 30 June, 2025, payments totalling Kshs.20,643,516 representing approximately 50% of the new contract amount had been made to the contractor. Physical inspection conducted in September, 2025 noted that the project remained incomplete. Although, the contractor was still on site, several works including construction of powerhouse, gate house, sanitary works, drainage works, electrical and mechanical works, solar and water systems, external finishes and internal finishes with bill of quantities valued at Kshs.25,156,030 were still pending.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

A circular dated 20th May 2019 (Ref. No.: SRC/TS/COG/6/61/48 VOL. II

(64)) from the Salaries and Remuneration Commission (SRC) setting the ceiling at Ksh. 45,000,000.00 was received by the County Government of Bomet on 6th June 2019. However, the tender had already been advertised on Friday, 19th October 2018, and the contract agreement was duly signed on 31st January 2019.

Attached as **Annex 20(a), (b), (c) (d)and (e)** are the SRC circular, Tender advertisement, extract of signed contract, current photos of the project and status report respectively.

Committee Observation

The Committee observes that the initial contract sum of Kshs.78 million exceeded the SRC-set ceiling of Kshs.45 million, and the failure to provide documents for this over-expenditure is a breach of SRC guidelines and financial regulations. The subsequent contractor abandonment, payments made without a final valuation report, and failure to enforce the performance bond constitute gross mismanagement and a failure to safeguard public funds, contravening Section 226(5) of the PFM Act, 2012.

Committee Recommendations

1. **The Committee directs the County Governor ensures that the OAG is provided with comprehensive report on the financial losses incurred from the abandoned contract, including a valuation of work done and details of efforts to recover losses from the performance bond.**
2. **The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;**
3. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and**
4. **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

21. Stalled Construction of Bomet Stadium

As previously reported, the County Executive entered into a contract with a local contractor on 13 June, 2018 for the construction of Bomet Stadium at a contract sum of Kshs.257,498,105 with a contract validity period of 3 years ending 29 June, 2021. The works included completion of the main pavilion, completion of terraces and retaining walls, completion of the perimeter wall, ablution blocks and changing rooms, storm water draining works - external and internal drainage, chain link internal barrier fence, two steel gates and gatehouse, soft landscaping work, standby generator, floodlights, warm-up track, and main track carpeting. Review of the project's documents and physical inspection conducted in October 2025, revealed that the construction stalled with only 1.5% of works completed. The total payments to the contractor amounted to Kshs.14,013,380 (or 5.4%) of the agreed contract sum, which exceeded the 1.5% value of works completed. However, no valuation report was provided to establish the financial losses incurred and there was no evidence that Management invoked or enforced the bond to recover losses resulting from non-performance.

Further, records provided for audit indicated that the stadium land belongs to Bomet University College. Management did not provide explanations for these anomalies.

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In the circumstances, the value for money may not be realized from the public funds amounting to Ksh. 14,013,380 already committed to the project.

Management Response

Hon Chair, the county government indeed entered into a contract for completion of the stadium for a multi- year agreement. However, when the courts issued an injunction attached as Annex 21(a) on implementation of the project, on the contested land ownership, the county government ceased the contract pending court ruling.

On a court ruling dated 19th January 2023 attached as Annex 21(b), the verdict was made in favor of Bomet university college.

Furthermore, the amount paid to the contractor of Ksh. 14,013,380 was commensurate to the billed quantities of work done as measured by the Engineer from a contract sum of Ksh. 257,498,105. The percentage of work done was erroneously indicated in the progress report as 1.5%, however measurement sheets, summary of statement of account and billed quantities accounts to 5.4% or Ksh. 14,013,380. Therefore, the correct percentage of work done is 5.4%. Attached as Annex 21(c) and (d) are the status report and measurements sheets respectively.

Committee Observation

The Committee observes that the county proceeded with a multi-million-shilling stadium project on land with disputed ownership. This failure to carry out due diligence, resulting in stalled construction and loss of Kshs.14 million, constitutes a fundamental breach of project management principles and exposes the county to significant financial and legal risk, violating Article 201(d) of the Constitution. The failure to enforce the performance bond was a further dereliction of duty.

Committee Recommendation

1. **The Committee directs the County Executive to obtain formal Intergovernmental Agreements (IPAs) with the National Government and Bomet University College in accordance with Article 187 of the Constitution before resuming any construction on the newly acquired land.**

2. **The County must strengthen its project conceptualization and due diligence processes to prevent recurrence of such costly errors.**

22. Delayed Completion of Dr. Laboso Memorial, Mother and Child Wellness Centre

Management entered into a contract on 27 April, 2022 for the construction of Dr. Laboso Memorial Mother and Child Wellness Centre at a contract sum of Kshs.296,937,205 for a period of eighteen (18) months with initial expected completion date of 27 October, 2023 followed by an approved extension of six (6) months from 28 October, 2023 to 30 April, 2024 and a further second extension of the contract period was granted for a period of twelve (12) months up to 15 April,2025. However, at the time of audit, the extended contract period and performance bond had expired but no extension had been granted contrary to Section 139 (2) (a) of the Public Procurement and Asset Disposal act of 2015.

Further, records provided for audit indicated that the contractor had been fully paid the contract sum after raising eleven (11) certificates amounting to Kshs.296,831,333 as per the bill of quantities. However, physical inspection conducted in the month of July, 2025 revealed that the hospital facility was yet to be equipped and be put into use. In addition, the project stood on three (3) parcels of land out of which two (2) parcels did not have tittle deeds, ten (10) years after their acquisition.

In the circumstances, value for money may not have been realized by the public in respect of the unutilized project.

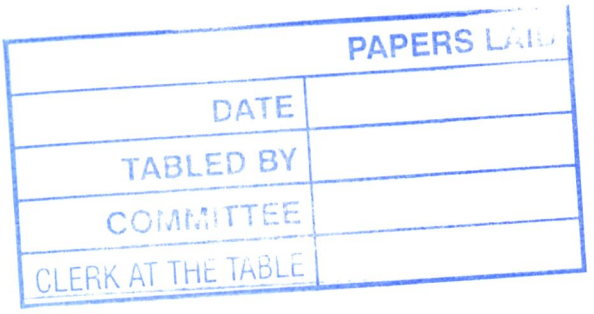
Management Response

The second extension of the contract elapsed on 15th April 2025, and another extension was granted up to February 2026 as per the attached contract extension document. At the moment, the project is complete and awaiting equipping and there is a budgetary provision for the same. Furthermore, the management is currently under negotiation with the National Government, and a request for equipping has been made through to National Government Service Project (NESP).

Further the titling process of the land is still ongoing, and the succession process is almost complete.

Committee Observation

The Committee observes that paying the full contract sum of Kshs.296 million for an unequipped and non-operational hospital represents a catastrophic failure to achieve value for money. The lack of title deeds for two of the three land parcels, ten years after acquisition, exposes the county to potential legal disputes and violates the principles of sound asset management under Section 153 of the PFM Act, 2012.



Committee Recommendation

1. **The Committee directs the County to prioritize and fast-track the equipping of the health facility through the National Emergency Service Project (NESP) or other means and submit a clear timeline to the Senate, OAG and the County Assembly within sixty (60) days.**

2. **The County Attorney must expedite the land titling process and ensure all parcels on which public projects are situated have clear and legal title deeds and submit a clear timeline to the Senate, OAG and the County Assembly within sixty (60) days.**

23. Delayed Construction Works at Kapkoros Level 4 Sub-County Hospital

A project for construction of three wards and theatre at Kapkoros Level 3B Sub-County Hospital was awarded to a contractor at contract sum of Kshs.46,799,906 vide a contract agreement signed on 22 April, 2024. Review of project records revealed that the project commenced on 22 April, 2024 with a projected completion date of 22 April, 2025. The contractor had been paid Kshs.33,856,180 or 72% of the contract sum. However, physical inspection conducted in September, 2025, revealed that the works remained incomplete at the roofing level and the contractor's materials, plant and equipment were not on site.

Further, there was no evidence of extension of the contract period and the progress report or revised work programs indicating how and when the remaining works would be carried out were not provided for audit review.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

We acknowledge that the project was not completed within the stipulated period. This was caused by delayed mobilization of equipment due to poor site access road as a result of adverse weather conditions. However, an extension of contract was sought and signed on 23rd April 2025 for Ten Months as attached Annex 23 (a). The Project Implementation Committee has engaged the contractor and secured commitments that works will proceed without further delay. Attached as Annex 23(b) are the current photos.

Committee Observation

The Committee notes that the initial project delay and the contractor's demobilization, despite significant payments, point to weak contract management and supervision. The failure to properly plan for site access (access road) is a fundamental project planning error. This contravenes the requirement for proper project execution and timely completion as per Section 149 of the PFM Act, 2012.

Committee Recommendation

1. **The Committee recommends that the County Executive establish a centralized project management and monitoring system within ninety (90) days, as provided for in the PFM Act, 2012, to oversee all capital projects. This system should ensure proper conceptualization, planning, and execution.**

2. **The Accounting Officer for Health is directed to strengthen supervision of the Kapkoros project to ensure it is completed within the extended period.**

24. Incomplete Construction Works at Ndanai Level 4 Sub-County Hospital

Management entered into a contract with a local contractor for the construction of inpatient wards and a theatre unit at Ndanai Sub-County Hospital at a contract sum of Kshs.38,889,005. Review of the project documents noted that the contract period was twelve (12) months commencing on 22 April, 2024 to 22 April, 2025. As at 30 June,2025, the contractor had been paid Kshs.29,314,772.30 or 75% of the contract sum. However, physical inspection conducted in July, 2025 revealed that the contractor was not on site and key works including terrazzo floor finishing, staircase railings and ramps, electricity, doors and windows estimated at Kshs.8,005,935 had not been done.

Further, there was no evidence of extension of the contract period and the progress report or revised work programs indicating how and when the remaining works would be carried out were not provided for audit review.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

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We acknowledge that the project was not completed within the stipulated period. This was caused by delayed mobilization of equipment due to poor site access road as a result of adverse weather conditions. Poor soil condition also affected the implementation of the project. However, an extension of contract was sought and signed on 23rd April 2025 for Ten Months as attached Annex 24 (a). The Project Implementation Committee has engaged the contractor and secured commitments that works will proceed without further delay. Attached as Annex 24(b) are the current photos.

Committee Observation

Similar to the Kapkoros project, the Committee observes that the project delay at Ndanai, with Kshs.29 million paid and incomplete works, is a failure of project supervision and planning. This constitutes a breach of the requirement for prudent and responsible use of public money under Article 201(d) of the Constitution.

Committee Recommendation

The Committee reiterates its recommendation for the establishment of a centralized project management and monitoring system. The Department of Health must provide a detailed work plan for the completion of the Ndanai hospital and ensure rigorous monitoring and reporting to the County Treasury and the OAG.

25. Incomplete Radiology Unit at Tegat Sub-County Hospital

Review of records revealed that Management awarded a contract for the completion of the radiology unit at Tegat Sub-County Hospital on 18 March, 2025 at a contract price of Kshs.17,551,509. The agreed contract duration was twelve (12) months with expected completion date of 17 March, 2026. Review of contract documents revealed that the total value of certified works through interim certificate number 1 dated 9 June, 2025 was Kshs.10,003,016. However, physical verification conducted in September, 2025 established that completed works were valued at Kshs.6,895,339 as per the bill of quantities resulting in certification of incomplete works totalling Kshs.3, 107,677.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

The payment certified under Interim Certificate No. 1 dated 09 June 2025, the total of Ksh. 10,003,016 comprised both the value of completed works and the value of materials delivered and properly stored at the project site, in accordance with standard contract practice. The period of project inactivity, which occurred due to delayed payment of certified amounts, resulted in certain completed sections developing defects. Consequently, the contractor was required to undertake rework such as hacking of walls to facilitate the continuation of construction. This necessary rework contributed to the apparent discrepancy between the certified value and the subsequently verified physical works.

The contractor's absence from site during the September 2025 inspection arose from demobilization due to the delayed payment. The management has addressed the payment issues and the contractor has resumed work ensuring the timely completion of the remaining project activities. The letter of resumption from the contractor is hereby attached for audit verification. Annex 20(e) S130 From PV to establish cost of materials on site

Committee Observation

The Committee observes with concern the over-certification of works totalling Kshs.3.1 million at the Tegat radiology unit. This act of certifying and paying for incomplete work constitutes irregular expenditure as defined in Regulation 2 of the PFM (County Governments) Regulations, 2015, and points to either gross incompetence or complicity in the misuse of public funds. It is a direct violation of Section 149(1) of the PFM Act, 2012.

Committee Recommendation

1. **The Committee directs that the EACC investigate the circumstances surrounding the over-certification.**

2. **The County Governor takes an administrative action against the supervising officers responsible, in line with Section 156 of the PFM Act, 2012. A report on the investigation and the recovery of the overpaid amount must be submitted to the Senate, OAG and the County Assembly within sixty (60) days.**

26. Unutilized ECDE Classrooms

Physical inspection conducted in the month of July 2025 across twenty (20) Early Childhood Development Education (ECDE) centres revealed that nine (9) ECDE projects were complete but were yet to be utilized by the intended beneficiaries. The centres therefore remained idle and locked, with no evidence of teaching or learning activities taking place.

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Further, review of project records revealed that one of the classrooms at Sinendet ECDE in Singorwet Ward constructed in October, 2024 at a contract cost of Kshs.2,362,955 had been condemned as not fit for use due to significant structural defects including a large crack running across the classroom floor. Although the contractor had not been paid, Management had not made any efforts for the contractor to make good use of the liability period by reconstructing or renovating the structure.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

Construction of ECDE classrooms and equipping are undertaken as two different contracts. The department had planned to construct and equip the classrooms in a two-year budget cycle where the constructions of ECDE classrooms were done in the financial year 2024-2025 while equipping to be done in the current financial year 2025/26. The department therefore has now commenced the requisition for the equipping of all completed ECDE

centers. Attached as annex 26(a) is the budget extract for equipping of ECDE centers and requestion memo.

Sinendet ECDE classroom had no defects at the time of inspection for the first payment certificate. However, patent defects later emerged on the floor. Upon inspection by the team from the Department of Public Works, the contractor was instructed to rectify the defects. The contractor attended to the issues, which were identified as defects in the floor finish screed and not structural defects. Upon further examination, no defects were noted in other elements of the building and toilet. The 180-day defects liability period was effective at the time the defects were noted. Attached as Annex 26(b) are the current photos of the ECDE

Committee Observation

1. The Committee observes that constructing ECDE classrooms worth millions without a concurrent plan for equipping and staffing them is a failure of integrated planning. This contravenes the principle of effective use of public resources under Article 201 of the Constitution and results in idle assets that provide no benefit to the intended beneficiaries.

2. The failure to enforce the defects liability period on the Sinendet ECDE contractor is a breach of contract management procedures.

Committee Recommendation

The Committee directs the Department of Education to ensure that all future construction projects are linked to a comprehensive implementation plan that includes budgets for equipping, staffing, and operationalization. The defects liability period for the Sinendet ECDE must be enforced, and the contractor required to rectify all defects immediately.

27. Lack of Ownership Documents for Construction of ECDE Centres

Review of records revealed that the Department of Education entered into contracts with various contractors for the construction of classrooms and pit latrines in fifty (50) Early Childhood Development Education (ECDE) centres in various locations within the County at a cost Kshs.111,916,478. However, Management did not provide ownership documents for the land on which the centres were being constructed including title deeds, leases or memorandum of understanding for use on the parcels of land.

Further, evidence of official search and consent from the Lands Control Board was not provided for audit review.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

The land on which most of the ECDE classrooms were constructed remains under the ownership of the host primary schools. Consequently, **land ownership documents for most ECDE centers** legally remain the property of the respective School Boards of Management (BoMs).

Nevertheless, the County Government has been progressively purchasing land for dispersed ECDE centers, and duly signed land sale agreements for land currently under transfer process are available for verification as **Annex 27.**

Committee Observation

The Committee observes that constructing 50 ECDE centres on land without clear ownership documents, such as title deeds, leases, or formal MOUs, is a serious breach of due diligence and exposes public investments to the risk of loss. This violates the principles of sound asset management and accountability under Article 201 of the Constitution.

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Committee Recommendation

The Committee directs the County to immediately secure ownership documents, including title deeds or formal lease agreements, for all land parcels on which public infrastructure has been constructed. Official land searches and consents from the Lands Control Board must be obtained to regularize the use of this land.

28. Unutilized Gender Desk Office and Children Holding Ground in Bomet Central Police Station

Review of expenditure records revealed that Management contracted a local contractor to construct a gender desk office and children holding ground within Bomet Central Police Station at a contract sum of Kshs.2,953,050. The project aimed at giving support to children who had been violated and undergoing trauma due to gender-based violence and negligence. However, the signed contract agreements were not provided for audit. Further, physical inspection carried out in July 2025 revealed that the project remained unutilized and the compound had been turned into animals holding ground.

Further, no completion report, handover report or project files were provided for audit.

In the circumstances, value for money may not have been realized by the public in respect of the unutilized project.

Management Response

The facility was constructed to provide a safe and secure space for children and gender-based violence survivors who require psychosocial and temporary shelter support. The signed contract for the project is hereby attached as Annex 28(a)

The facility is completed and fully equipped and was officially launched by H.E The governor as per attached photos Annex 28b

Committee Observation

The Committee observes that the failure to provide the signed contract and handover reports for the project, and the fact that the facility was initially unutilized and turned into an animal holding ground, is a failure of project management and undermines the social objective for which it was intended. This is a breach of the requirement for accountability and transparency under Article 201(a) of the Constitution.

Committee Recommendation

1. **The Committee recommends that all contractual agreements and handover reports be properly documented, signed, and retained as part of the project file**

2. **The County should ensure that projects are handed over to the appropriate user department and operationalized immediately to prevent them from becoming idle assets. The Governor submits a clear timeline to the Senate, OAG and the County Assembly within sixty (60) days.**

29. Unutilized Fresh Produce Market Shed at Ndanai, Kembu and Kapkwen

Management entered into a contract on 14 December 2023 with a local contractor for the construction of a fresh produce market shed at Ndanai at a contractual amount of Kshs.4,690,649. The works were done over a period of three (3) months, and the contractor was paid in full during the year under review after being issued with a completion certificate dated 25 June,2024. However, physical inspection conducted in the month of July 2025 revealed that the project was complete but not in use since the local traders did not have access to the facility, an indication that its construction was not for immediate use. Similarly, a fresh produce market shed at Kembu was constructed at a contract price of Kshs.4,985,000. However, despite issuance of a completion certificate and subsequent handing over of the project on 24 June 2025, the market shed had not been opened up for use by the residents.

Further, the contract for the construction of perimeter fence, gate and gatehouse at Kapkwen open air market at a contract sum of Kshs.4,778,052 was signed on 11 April 2023. The works were to be done over a period of three (3) months up to 11 July 2023. Review of records provided for audit, indicated that the contractor submitted payment certificate No.1 on 16 June 2025, more than two (2) years after the lapse of the contract period and was subsequently paid the sum without a valid contract extension. Physical inspection conducted in the month of September 2025 revealed that the open-air market was not yet put to use but was instead being used as an animal grazing area. No explanation has been provided for the continued non-utilization of the three facilities.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

Management Response

The construction of perimeter fence, gate and gatehouse at Kapkwen open air market at a contract sum of Kshs.4,778,052 was signed on 11 April 2023. The certificate of completion and

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handover was raised on 16th June 2023. The contractor raised an invoice on 19th June 2023. Attached as

Annex 29(a) is the completion certificate and invoice. At the time of audit, the market had not been put into use due to access road that had not been completed through separate contracts. However, the access road has been completed, and market is now ready for commissioning and use.

During the time of audit, Ndanai fresh produce market had not yet been put to use due to lack of water supply that was to be funded by Water Sector Trust Fund through Bomet Water Company. However, the project is now fully complete and ready for commissioning.

Kembu fresh produce market project was a multi-year project with the first year 2024/25 meant for construction of the fresh produce shed. The current financial year 2025/26, the department has budgeted for construction of ablution and fencing which are currently being done. Once completed the facility will be operationalized. Attached as Annex 29(b), (c) and (d) are photos of the current state of Kapkwen, Ndanai and Kembu markets respectively.

Committee Observation

The Committee observes that constructing market facilities without ensuring access to complementary infrastructure (water, access roads) and without a clear plan for their operationalization is a failure of holistic planning. This constitutes a wasteful expenditure of public funds, as the facilities remain idle, providing no economic benefit to the local traders and residents, contravening Article 201(d) of the Constitution.

Committee Recommendation

1. **The Committee directs the County Executive to ensure that all capital projects are planned and implemented as part of an integrated development plan. A project must be declared complete and handed over only when all its essential components and supporting infrastructure are in place and it is ready for immediate use.**

2. **A status report on the operationalization of these three markets shall be submitted to the County Assembly, the OAG and the Senate**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Lack of Land Ownership Documents

The Department of Lands, Housing and Urban Planning acquired fifteen (15) parcels of land for construction of eight (8) Early Childhood and Development Education Centres, one (1) bus park, one (1) ICT hub and (1) stadium at a total cost of Kshs.121,527,000. However, Management had not obtained all the fifteen title deeds. Physical verification on 30 June 2025 conducted on the 50 - Acre parcel of land meant for construction of an ICT hub noted that some private individuals had irregularly taken possession of the land and there were encroached settlements and agricultural activities.

Further, Management entered into land sale agreement with two local landowners for acquisition of 12-acre land for construction of a stadium at a cost of Kshs.75,600,000 translating to Kshs.6,300,000 per acre. Physical verification conducted on 3 July,2025 noted that the land had been encroached by private individuals who were in brick making business and the land had not been secured with a fence to check on encroachment.

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

Management Response

The Parcels of Lands acquired for the ICT Hub have been possessed, partly developed and Titling processes at 50% as follows;

a. Surveying and Beaconing of 50 Acres Ongoing

b. Contract Sale Agreements prepared and duly signed between the County Government and the Land Vendors.

c. Part of the entire land has been developed with Jitume Initiative Centre of Excellence

d. Succession processes have been completed in all the parcels involved in the transaction

e. Title Deeds of parcels Kericho/Olokyin/1561 and Kericho/Olokyin/5 being part of the entire land has been completely processed in the name of County Government of Bomet.

Attached are copies of Title Deeds and Succession documents as Annex 30(a) and (b) respectively.

As for the Parcels of lands acquired for the ECDs and Bus Park, such as parcels including Tembwet ECD, Kipkebe ECD, Chepngatat ECD, Kapsimotwa ECD and Chepkeleliet ECD, Possession and Titling Processes has been commenced with the following processes accomplished;

a. Surveying and Beaconing of each parcel

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b. Contract Sale Agreements prepared and duly signed between the County Government and the Land Vendors

c. The parcels have been developed with the respective public purpose ECDs classrooms, and all are currently Operational

d. Succession processes ongoing.

The Parcel acquired for the County Stadium is yet to be developed but all preliminary processes of Titling and possession is ongoing as follows;

a. Surveying and Beaconing of the 12 acres completed.

b. Contract Sale Agreements prepared and duly signed between the County Government and the Land Vendors. c.Letters of grant of administration of the estate issued to the administrators Kiptonui koske Sammy and Reuben Paul Korir under succession cause no. E051 OF 2023

d. Certificate of Confirmation of grant (copy attached) was issued on 24th July,2024 with the Vendors to the County Government of Bomet being a Beneficiary of the 12 acres.

e. Mutations (Copy attached) has been prepared and fully signed by the Administrators

f. Currently registration of the Succession documents is ongoing to ascertain the successors are registered to purpose the normal land control boards and thus acquisition of Title Deed in the name of County Government of Bomet reserved for The County Stadium.

As it pertains construction of an ICT hub, No Individual has taken possession of the 50-Acre ICT land. The Vendors are still evacuating after purchasing lands elsewhere and are constructing their homesteads at their new lands. Some original landowners have left and part of the entire land developed with Jitume Initiative Centre of Excellence which is due for completion.

As per land sale agreement Attached herein kindly find a copy of a fully signed Mutation form for subdivisions of the parcel Kericho/Kyogong/11 to exclude the 12-Acre land acquired for the Stadium and a copy of Valuation Report.

On the issue of land encroachment, the private individuals doing brick making are temporary and have been notified to move out of the acquired parcel. Boundary beacons have been constructed; Mutations have been fully signed by the Successors and thus processing of ownership documents is due for Land control boards.

Committee Observation

The Committee observes that acquiring land valued at Kshs.121 million without securing title deeds is a fundamental failure of internal controls over asset management. This exposes public land to the risk of encroachment, as seen with the ICT hub and stadium land, and potential loss

through adverse possession. This contravenes the duty of the accounting officer under Section 153 of the PFM Act, 2012, to be responsible for the management of the entity's assets.

Committee Recommendation

The Committee reiterates its previous recommendation: the County must immediately and conclusively finalize the titling process for all acquired land parcels. Official land searches must be conducted, and consent from the Lands Control Board secured. The County Attorney must provide a status report on the progress of all land title transfers to the OAG and the Senate within ninety (90) days.

2. Grounded Motor Vehicles and Unserviceable Equipment

Review of the fleet of motor vehicles and records of equipment revealed that the County Executive had a total of five hundred and thirty-seven (537) motor vehicles and equipment, out of which one hundred and seventy-four (174) of undetermined value were grounded and unserviceable. However, Management did not provide records to confirm the dates when the assets were grounded and an annual disposal plan for the assets was not prepared. This was contrary to Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the Accounting Officer of a procuring entity to ensure that an annual assets disposal plan is prepared for items declared as unserviceable, surplus, or obsolete, obsolescence stores, asset or equipment.

Further, Management had not taken steps to dispose of grounded vehicles to prevent further loss arising from wear and tear and repairing of unserviceable vehicles.

In the circumstances, the effectiveness of the asset management system in place could not be confirmed.

Management Response

The disposal for 2025/2026 is in place and is reflected in the budget for the FY 2025-2026. 11 motor vehicles were disposed in the financial year 2023- 2024 whose NTSA registration details stretched to financial year 2024- 2025 and inhibited new batch of disposal in the same financial year 2024- 2025. The Annual Disposal Plans for the Financial years 2024-2025 and 2025-2026 are hereby attached as **Annex 31 (a).** Attached as annex **31(b)** is an appointment letter of disposal committee.

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Disposal for the unserviceable vehicles reported as grounded will be done in FY 2025/2026 as outlined in the approved budget of FY 2025/2026 and accompanying disposal plan attached as **Annex 31 (c).**

Again, most of the grounded vehicles which were uneconomical to repair were transitioned from the national government with GK Number plates. The ownership documents for the said vehicles are still in the national government thus making it difficult for disposal process by the County Government to be disposed.

Committee Observation

The Committee observes that the failure to dispose of 174 grounded vehicles and unserviceable equipment is a violation of Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020. This non-disposal results in the continued deterioration of public assets, occupies valuable storage space, and represents a failure to realize any residual value from them, which is a breach of the principle of economic use of resources under Article 232(1)(b) of the Constitution.

Committee Recommendation

The Committee directs the County to expedite the disposal of all grounded and unserviceable assets in accordance with the approved disposal plan for FY 2025/2026 and the PPADA, 2015. A progress report on the disposal process shall be submitted to the County Assembly, Senate, and the OAG within six months.

3. Lack of Risk Management Policy

Review of the internal controls of the County Executive revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 that requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

Management Response

Hon chair, the process of developing risk management policy has begun with identification of departmental risk champions. Validation of the draft risk management policy attached as **Annex**

32 is in process. The County Government has also identified departmental fraud prevention champions and have undergone training on Fraud prevention that was conducted by the Ethics and Anti-Corruption Commission. Therefore, fraud prevention mechanism has been established.

Committee Observation

The Committee observes that the absence of a finalized and approved risk management policy, including fraud prevention mechanisms, is a direct contravention of Regulation 158 of the PFM (County Governments) Regulations, 2015. This exposes the county to significant operational, financial, and fraud risks and demonstrates a lack of robust internal controls.

Committee Recommendation

1. **The Committee directs the County Executive Committee to urgently finalize, adopt, and formally approve the draft Risk Management Policy. The policy must include a comprehensive fraud prevention mechanism and a business continuity/disaster recovery plan.**

2. **A copy of the approved policy shall be submitted to the OAG and the Senate within ninety (90) days.**

4. Understaffing of Internal Audit Unit

Review of the staff establishment and the list of staff in the Internal Audit Department revealed that the Department has only eight (8) active staff against the staff establishment of thirty (30). This resulted to understaffing of twenty-two (22) personnel, contrary to Regulation 155(2)(a) of the Public Finance Management (County Governments) Regulations, 2015, which states that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities.

In the circumstances, the effectiveness of the internal audit function and governance **structure of the County Executive could not be confirmed.**

Management Response

The County Executive is committed to enhance the number of staff under Internal audit unit for effective oversight and risk management. An advertisement for additional staff was done on 7th June,2024 as per attached advertisement as Annex 33 but was halted by the Court. However, the

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ban has been lifted and currently recruitment of members of County Public Service board is underway. The process of recruiting more staff will continue once the board is in place.

Committee Observation

The Committee observes that the internal audit unit is operating at only 27% of its approved staff establishment (8 out of 30 officers). This critical understaffing is a direct contravention of Regulation 155(2)(a) of the PFM (County Governments) Regulations, 2015, which requires an accounting officer to ensure the internal audit unit's structure facilitates the accomplishment of its responsibilities. This severely compromises the unit's ability to provide effective oversight and assurance.

Committee Recommendation

The Committee directs the County Public Service Board and the County Treasury to prioritize the recruitment of qualified staff to fill the vacant positions in the internal audit unit. A detailed timeline for the recruitment process shall be submitted to the Senate and the OAG within sixty (60) days. The accounting officer is reminded of their personal responsibility for ensuring a fully functional internal audit function.

5. Failure to Identify County Controlled Assets

During the year under review, Management had not fully identified or reported all assets under its control or use. Further, Management had not appointed an Asset Management Officer to support the transition to accrual accounting for assets. This was contrary to Guideline 2.3.5 on transition from cash to accrual accounting issued by the National Treasury through circular Referenced No.03/2025 and dated 14 April, 2025 which directed Accounting Officers to identify all the assets in their control or use, irrespective of proof of ownership and whether or not the values could be determined and to report on all those assets in the financial year 2024/2025.

In the circumstances, the effectiveness of the asset management system in place could not be confirmed.

Management Response

An asset management officer was duly appointed alongside steering committee and project manager. Attached as **Annex 34** is appointment letter of the asset management officer.

The County Executive has an asset register with a list of all assets under control or use. With the appointment of asset management officer, the asset register will be updated with the prescribed format.

Committee Observation

The Committee observes that the failure to fully identify and report all assets under the county's control is a violation of Guideline 2.3.5 of the National Treasury Circular No. 03/2025 on the transition to accrual accounting. While an asset management officer has been appointed, the ineffectiveness of the asset management system remains a concern, as it undermines the reliability of financial statements and asset control.

Committee Recommendation

The Committee directs the County Secretary to ensure a complete and verifiable identification and valuation of all county assets, irrespective of proof of ownership. This exercise must be completed in time for full reporting on all assets in the financial statements for the year 2025/2026, as directed by the National Treasury and the PSASB.

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

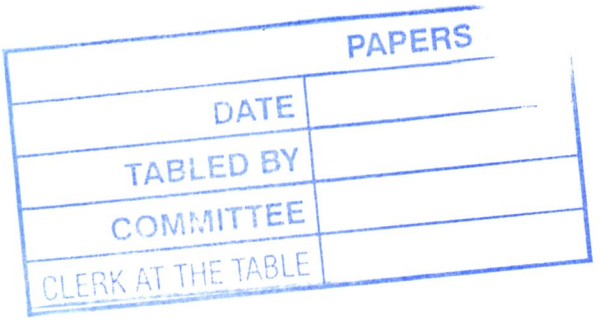
REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

1. **Unsupported Opening Balances**

The opening balances show equal total assets and liabilities of Kshs. 533,936,152. However, these amounts were not supported by a Transition Project Co-ordination Committee report (TPCC).



Management has provided the first-year progress report on the transition from cash to accrual accounting, Bomet County accrual adoption framework, appointment letters of technical committee and technical committee reports

Management Response

We have in place a cash to accrual technical committee and steering committee that has been able to verify and report on the opening balances.

A copy is hereby attached as Annex 1.

Committee Observation

The Committee observes that the failure to support opening balances with a Transition Project Co-ordination Committee (TPCC) report, as required by the National Treasury's transition guidelines, is a breach of the principles of accuracy and completeness in financial reporting under Article 201 of the Constitution. This lack of documentation fails the requirements of Section 164 of the PFM Act, 2012.

Committee Recommendation

The County Receiver of Revenue must avail a comprehensive TPCC report, duly verified by the cash-to-accrual technical committee, to support the opening balances. This report must be submitted to the Auditor-General within ninety (90) days for verification.

2. **Inaccuracy of Notes to the Revenue Statements**

The revenue statements reflect Notes numbered 26 to 35, which do not align to the Notes to the revenue statements. Financial statements have not been amended to reflect the correct notes.

Management Response

The variance arose from a numbering inconsistency during preparation of the financial statements, which has since been corrected, and internal controls have been strengthened to prevent recurrence in the future.

Committee Observation

The Committee notes that while the financial statements have been amended to correct the note numbering, the initial error points to weak internal controls in the preparation of financial statements, as required by Section 164(1) of the PFM Act, 2012.

Committee Recommendation

The Committee directs the Receiver of Revenue to establish and implement stronger internal controls and review mechanisms to ensure that all future financial statements are accurate, complete, and compliant with PSASB standards before submission.

3. **Inaccuracy of Disbursements to Another County Fund**

The revenue statements reflect disbursement to another county fund of Kshs.211,612,307 which differs with the recomputed disbursements amounting Kshs.210, 794,530 resulting to variance of Kshs.817,777.

Further, supporting approvals, expenditure returns, and bank statements for hospital revenue spent at source were not provided for audit review. The Revenue Statements were not amended to correct the noted variance of Kshs.817,777.

Further, the documents supporting the hospital revenue were not provided

Management Response

The Kshs.211,612,307 represents hospital revenue fully utilized at source as Facility Improvement Funds, with supporting documents held at health facilities and all related transactions audited during the financial year

Committee Observation

The Committee observes that the failure to provide supporting documents for hospital revenue (FIF) totalling Kshs.211 million at the time of audit constitutes a violation of Section 62(1)(b) of the Public Audit Act, 2015. This hinders the audit process and contravenes the accountability requirements for public officers under Section 79 of the PFM Act, 2012.

Committee Recommendation

1. **The Committee recommends that the County Governor undertakes administrative action against the responsible officer(s) in the health facilities and the County Treasury who failed to provide documents, in accordance with Section 156 of the**

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PFM Act, 2012. A status report must be provided to the OAG within ninety (90) days.

2. **The County must reconcile the reported and recomputed disbursements and avail all supporting documents for audit verification.**

4. Inaccuracy of Cash and Cash Equivalents

Cash and cash equivalents balance reflects Kshs.88,645; however, the cashbook reflected a nil balance while the revenue collection bank account showed Kshs.37,945, resulting in an unexplained variance of Kshs.37,945.

Further, the M-Pesa Pay bill account balance of Kshs.50,700 was not supported by the cashbook, reconciliation statements or M-Pesa statements for six months between July and December 2024.

The opening balance for cash and cash equivalents was reported as Kshs.540,054, which differed from the prior year audited balance of Kshs.74,029, resulting in an unexplained variance of Kshs.466,025.

The Revenue Statements were not amended to correct the noted variances in cash and cash equivalents.

The cashbook, reconciliation statements and M-Pesa statements for six months in support of the M-Pesa Pay bill account were not provided.

Management Response

The County's cash and cash equivalents at year-end totaled KShs.88,645, comprising KShs.37,945 in the bank account and KShs.50,700 in the M-Pesa Paybill account.

Supporting documents, including the cash book, bank reconciliations, and Board of Survey reports, were provided for audit verification and are attached as Annex 4.1, 4.2, and 4.3

Committee Observation

The Committee observes that the unexplained variances in cash and cash equivalents, the lack of supporting documents for the M-Pesa Paybill account, and the discrepancy with the prior year's audited balance indicate a severe breakdown in cash management and reconciliation controls. This is a direct violation of Regulation 90 of the PFM (County Governments) Regulations, 2015, which requires monthly bank reconciliations.

Committee Recommendation

1. **The Receiver of Revenue must ensure that all revenue bank accounts and the M-Pesa Paybill account are reconciled monthly, with all supporting documentation (cash books, bank statements, M-Pesa statements) properly filed. Administrative action must be taken against officers responsible for the missing statements, as per Section 156 of the PFM Act, 2012.**

2. **A report on the reconciliation of all cash and cash equivalent balances as at 30th June 2025 must be submitted to the OAG.**

5. Inaccuracy of Receivables from Non-Exchange Transactions

Receivables from non-exchange transactions included Kshs.528,142,962, which had been outstanding for over a year, with no provision for bad or doubtful debts.

Further, the supporting schedules of defaulters, invoices, and receivables ledgers were not provided.

The long outstanding receivables have not been collected nor supported by schedules of defaulters, invoices, and receivables ledgers.

Management Response

Management acknowledged that no provision for bad and doubtful debts had been made but has established a team at the headquarters and every sub-county office which has implemented measures, including issuing demand notices, to collect outstanding land rates

Committee Observation

The Committee observes that the failure to make a provision for bad or doubtful debts on Kshs.528 million in long-outstanding receivables is not in accordance with generally accepted accounting principles (IPSAS). The lack of supporting schedules for these defaulters is a failure of revenue management and accountability under Section 157 of the PFM Act, 2012.

Committee Recommendation

The Receiver of Revenue must put in place strong and efficient revenue collection and recovery systems. A complete and verified list of defaulters/debtors must be compiled. A

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provision for bad and doubtful debts must be calculated and included in the financial statements for FY 2025/2026, in line with PSASB standards.

6. Inaccuracy of Receivables from Exchange Transactions

Receivables from exchange transactions totaling Kshs.59,716,282 had been outstanding for over a year, yet no provision for bad or doubtful debts had been made nor efforts to collect them. The amount also includes property rent of Kshs.5,500,000, for which lease agreements, rent assessments, and arrears records were not provided.

Additionally, hospital fees amounting to Kshs.54,216,282 was not supported by detailed schedules of patients, services rendered, and amounts owed by each.

The supporting schedules, lease agreements, schedules and patient records were not provided for audit

Management Response

The Kshs.59,716,282 relates to arrears from NHIF/SHA. The funds are managed by the respective health facilities, which have frequently submitted claims and issued demand notices to the Social Health Authority. Annex 6.1 provides a copy of a demand notice sent to Kipsigis Highland.

Committee Observation

The Committee observes a similar failure in managing receivables from exchange transactions, with Kshs.59.7 million outstanding, including unsubstantiated property rent and patient arrears. The lack of supporting documentation (lease agreements, patient schedules) contravenes the public officer's duty to maintain proper records under Section 164 of the PFM Act, 2012.

Committee Recommendation

The Committee directs the Receiver of Revenue to compile complete schedules for all exchange transaction receivables. Aggressive recovery measures, including legal action where necessary, should be pursued against long-standing defaulters. A report on the status of these receivables and the recovery efforts shall be submitted to the OAG, the Senate and the County Assembly.

7. Inaccuracies in the Statement of Cash Flows

The total receipts amounting to Kshs.154, 965,226 in the cashflow statement differs with the total actual receipts amounting to Kshs.367, 028,941 reflected in statement of comparison of budget and actual amounts.

Further, the statement reflects Nil net cash flows from operating activities which differs with the recomputed net cash flows from operating activities totalling Kshs.451, 409.

Financial statements have not been amended to reflect the correct balances.

Management Response

The total receipts of Kshs.154,965,226 reflected in the statement of cash flows represent the total amount collected and transferred to CRF. The variance of Kshs.212,063,715 represents Facility Improvement Funds (FIF) that were retained and spent by the health facilities

Committee Observation

The Committee observes that the unreconciled difference between receipts reported in the cash flow statement and the statement of comparison of budget and actual amounts undermines the reliability of the financial statements. This indicates a failure to apply proper accounting standards and reporting formats as prescribed by the PSASB, a requirement under Section 194 of the PFM Act, 2012.

Committee Recommendation

The Receiver of Revenue must fully reconcile the cash flow statement with the statement of comparison of budget and actual amounts. The correct balance of cash and cash equivalents as at 30 June 2025 must be reported in the subsequent revenue statements. The OAG is to verify this reconciliation in the next audit.

8. Unsupported County Own Generated Revenue

The county's own generated revenue of Kshs.367,028,941 could not be confirmed because supporting schedules, daily or monthly revenue control sheets, official payment receipts, revenue registers, M-Pesa paybill transaction records, assessment records, and reconciliations between system reports and bank statements were not provided, with revenue reported solely from bank statements lacking sufficient trails and transaction details. Management did not provide the supporting documents or reconciliation statements for the county own generated revenue totalling Kshs.367,028,941.

Management Response

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The County acknowledges the observation, noting reliance on consolidated bank statements due to documentation challenges, and stated that revenue is recorded in the accounting system with ongoing efforts to standardize procedures, improve receipt issuance. Reconciliations are being strengthened to ensure revenue traceability and completeness.

Committee Observation

The Committee observes with grave concern that the county's own-generated revenue of Kshs.367 million could not be confirmed due to a complete lack of supporting documentation (daily/monthly returns, official receipts, system reports). This points to a systemic failure in revenue collection, accounting, and internal controls. The decline in revenue from key streams like cess and parking fees, despite overall growth, suggests possible revenue leakages, contravening the public officer's duty to safeguard revenue under Section 79 of the PFM Act, 2012.

Committee Recommendation

The Committee directs that the Ethics and Anti-Corruption Commission (EACC) investigate the potential pilferage and loss of own-source revenue. The Receiver of Revenue must immediately implement a robust, automated revenue collection system that can produce verifiable, periodic revenue reports with a clear audit trail. Administrative action must be taken against officers responsible for the missing documents.

9. Unsupported Sale of Assets

The sale of tea from Embomos Tea Farm amounting to KShs.8,701,409 could not be fully confirmed because the contract agreement with KTDA, purchaser statements, and supporting records were not provided.

Additionally, ownership of the farm measuring 252.5 acres is disputed with Kenya Forest Service and the title remains under the defunct Bomet County Council. Management did not explain why the title had not been transferred to the County Government, raising uncertainty over rights, obligations, and control over the Farm.

Although the agreement and schedules with KTDA have been provided, evidence that formal transfer and regularization of ownership documents for the land and other County assets have not been provided

Management Response

The agreement with KTDA and schedules of tea supplied and received have been provided (Annex 9.1 and 9.2). The County Government owns 252.5 acres of Embomos Farm, with 73 acres under tea cultivation and the remainder managed by Kenya Forest Service. The formal transfer and regularization of ownership documents for the land and other County assets is ongoing.

Committee Observation

The Committee observes that the failure to provide the contract agreement with KTDA and supporting statements for tea sales from the disputed Embomos Tea Farm constitutes a failure of accountability. The unresolved ownership dispute with the Kenya Forest Service and the defunct county council title exposes the county to significant legal and financial risk, violating the principles of sound asset management.

Committee Recommendation

1. **The Receiver of Revenue, in consultation with the County Attorney, must urgently resolve the land ownership dispute for Embomos Tea Farm and initiate the formal transfer of the title to the County Government. Strong revenue collection systems must be put in place to account for all proceeds from the farm.**

2. **A progress report on the land regularization and revenue collection measures shall be submitted to the OAG and the Senate within ninety (90) days.**

EMPHASIS OF MATTER

1. **Under-Collection of County Own-Generated Revenue**

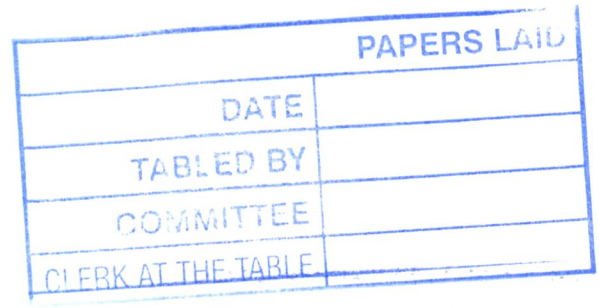
The Receiver of Revenue experienced a revenue shortfall of Kshs.87,971,059 or nineteen percent (19%) from a budget of Kshs.455,000,000 against actual revenue of Kshs.367,028,941 during the year under review.

Safeguards needed to be implemented to ensure prompt collection of expected revenue and to remedy the situation has not been provided.

Management Response

Management has not provided a response to this issue.

Committee Observations



Committee Recommendations

2. **Unresolved Prior Year Matters**

In the audit report of the previous year, nine (9) issues were raised in the Report of the Auditor General. However, Management had not resolved the issues or given any explanation for failure to resolve the issues. Management has not provided evidence or a report on how the issues were resolved.

Management Response

Out of the nine issues identified, six issues have been resolved and one is in work in progress and the remaining two have not been addressed

Committee Observation

Management has not provided evidence or a report on how the issues were resolved.

Committee Recommendations

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

1. **Lack of Valuation Roll**

The County Government did not have an updated valuation roll in place and the property rates were based on historical property values used by the defunct County Council of Bomet which did not represent the current market values.

The Draft Valuation Roll has been provided to show that Management is currently in the process of preparing an updated valuation roll.

Management Response

The County Government of initiated the preparation of the Land Valuation Roll, 2025 through public notices, stakeholder engagement, and approvals by the County Executive and County Assembly. The process is underway and is pending final approval by the County Assembly.

Committee Observation

The Draft Valuation Roll has been provided to show that Management is currently in the process of preparing an updated valuation roll.

Committee Recommendations

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

2. Use of Outdated Market Fees Rates

Market fees of Kshs.820,136 was collected using outdated rates which expired in the financial year 2023/2024.

Traders resisted paying the revised rates, citing lack of public participation prior to implementation. No justification, supporting documentation, or evidence of efforts to implement or transition to the approved rates was enacted by the County Assembly.

Management Response

The old revenue collection system could not implement the new rates in the 2024 Finance Act, and attempts to update it were unsuccessful, leading to its termination. A new system was introduced, incorporating the revised rates. Public participation on the 2024 Finance Act was conducted.

Committee Observations

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Management used outdated market fee rates without any justification and evidence of efforts to implement or transition to the approved rates.

Committee Recommendation

Management should ensure that the approved market fee rates are implemented promptly, with a documented transition process and clear communication to traders to prevent revenue loss and non-compliance in accordance with Section 157 (2) of the Public Finance Management Act, 2012.

3. Lack of Official Appointment of Revenue Collectors

Review of records provided for audit revealed that during the year under review, County employees collected and accounted for revenue without official appointments by the County Receiver of Revenue.

Sample of appointment letters in respect of revenue collectors have been provided for audit verification

Management Response

Bomet county employees working in revenue section were appointed officially and sample appointment letters are hereby attached for review

Committee Observation

Sample of appointment letters in respect of revenue collectors have been provided for audit verification.

Committee Recommendation

The county executive committee member for finance to take corrective measures and ensure that all the receivers and collectors of revenue are officially appointed in compliance to the Law.

4. Lack of Quarterly Revenue Statements

The statement of revenue and disbursements reflects revenues totalling Kshs.367, 028,941 collected during the year under review. However, quarterly revenue statements were not prepared nor provided for audit.

Evidence of to show that the quarterly revenue statements were prepared has been provided for audit. However, Management did not submit the quarterly reports to the County and National Treasuries

Management Response

Management confirms that quarterly revenue statements for the year under review were prepared and duly submitted to the Office of the Auditor-General, the National Treasury, and the Commission on Revenue Allocation.

Committee Observation

Management did not submit the quarterly reports to the County and National Treasuries

Committee Recommendation

The Receiver of Revenue to ensure timely preparation and submission of the quarterly revenue reports to the County Treasury with copies to the National Treasury and the Commission on Revenue Allocation

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. **Weakness of Controls in the Automation of the Revenue System**

During the year under review, the Management migrated from an outsourced system to an inhouse developed County revenue collection system known as Bomet Pay. However, there was no comprehensive project file documenting the project lifecycle including project initiation documents.

Further, data clean up to the new revenue system was not done and the historical revenue data was not migrated leading to a fragmented and loss of revenue history.

Management Response

Management has provided some key project documents while working to compile additional records, including the full Project Charter and post-implementation review. The Bomet Pay system is still in the piloting phase, and the ICT department is committed to improving its accuracy and reporting capabilities.

Committee Observation

Management did not provide any evidence of the key project documents during the migration and evidence that the historical revenue data was migrated was also not provided.

Committee Recommendation

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Management should compile complete project documentation and ensure historical revenue data is retrieved and migrated to the Bomet-Pay Revenue System to support accurate reporting and accountability.

2. Failure to Fully Automate Revenue Collection

During the period under review, the County used both manual. Review of records revealed that out of the thirty-three (33) revenue collection streams configured in the system, only fourteen (14) were fully operational, while nineteen (19) streams remained non-functional thereby resulting to continued collection of revenues manually.

No evidence was provided to confirm efforts towards full automation and the limited functionality of the Bomet Pay system has necessitated continued manual revenue collection for the nineteen (19) revenue streams, creating risks of inefficiency and inaccurate reporting.

Management Response

The ICT and Revenue teams are working on system enhancements, testing, and staff retraining, with full automation of all streams expected by the end of FY. 2025/2026 to improve efficiency, accuracy, and accountability.

Committee Observation

Management should prioritize full automation of the Revenue System including mapping and operationalization of all the revenue streams into the system.

Committee Recommendation

Management should prioritize full automation of the Revenue System including mapping and operationalization of all the revenue streams into the system.

5. Lack of Integration of Revenue Systems

Revenues of Kshs.155,715,043 collected via Safaricom Paybill and bank accounts could not be traced to specific revenue streams due to inadequate transaction descriptions. Further, the BometPay system did not have an integrated reconciliation mechanism to link collections from the two platforms to the respective revenue categories and the Pay bill account was not integrated with the revenue collection bank account maintained in a local commercial bank.

The revenue collected could not be traced to specific revenue streams and verification confirmed that revenue collected through the Paybill was not automatically transferred to the revenue collection bank account.

Management Response

Management confirmed that the County Paybill account (214444) was integrated with the Bomet County Revenue Collection account at Kenya Commercial Bank, with a secure end-to-end transfer process and clear audit trails (Annex 3).

Committee Observation

The revenue collected could not be traced to specific revenue streams and verification confirmed that revenue collected through the Paybill was not automatically transferred to the revenue collection bank account.

Committee Recommendation

Management should ensure that all revenue transactions include clear descriptions linked to specific revenue streams.

6. Weakness in Invoicing and Receipting in Bomet County Revenue System

Significant anomalies were identified in the BometPay system including unexplained variances between invoices and receipts, duplicate and negative invoices, zero amount invoices with payments recorded, lack of standardized user-naming conventions, unauthorized access into the revenue system and system testing conducted directly in the live environment.

Management agrees with the auditors' observations on the weaknesses in invoicing and receipting in the Bomet County Revenue System. However, evidence of any corrective measures undertaken was not provided for audit.

Management Response

Management plans to integrate payment tracking and reminder modules, enforce invoice number validation, disallow negative or zero-value invoices, and align user credentials with the HR system through planned integration. Emergency updates were made in the live system to maintain revenue continuity, while a formal Change Management Process guides future system modifications.

Committee Observation

Government should strengthen controls in the BometPay Revenue Management System by enforcing invoice validation and standardizing authorized user access

Committee Recommendation

Government should strengthen controls in the BometPay Revenue Management System by enforcing invoice validation and standardizing authorized user access

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7. Weak Controls over Hospital Fee Revenue Collection

Review of records revealed that the health facilities collected revenue amounting to Kshs.212,680,242 through standalone systems or manual processes that were not integrated with the County's main Revenue Management System

Management agrees with the auditors' observations on collection of Hospitals' revenues. However, evidence of any corrective measures undertaken so far to ensure full accountability was not provided.

Management Response

Receiver of Revenue is banking on the nationwide rollout of Health Care digitization program dubbed Taifa care where each and every health facility service and revenue generated will be accessed, monitored and retrieved with ease centrally.

Committee Observation

The County should integrate all health facility revenue collection systems with the main County revenue management system to ensure accurate recording, reporting, and accountability of hospitals' revenue

Committee recommendation

The County should integrate all health facility revenue collection systems with the main County revenue management system to ensure accurate recording, reporting, and accountability of hospitals' revenue

8. Failure to Map Businesses for Issuance of Single Business Permits

During the year under review, Management had not mapped and included in a comprehensive register for monitoring and issuance of single business permits and physical verification conducted in July, 2025 within Bomet Municipality revealed that several businesses operated without valid single business permits.

Further, no receipts were issued upon payment for Single Business Permits.

The mapped businesses and evidence of register maintained by the Receiver of Revenue was not provided for audit verification.

Management Response

The calendar year for the Single Business Permit runs from 1 January to 31 December each year. At the start of each year, all businesses across all sub-counties are mapped, and comprehensive registers are maintained. The relevant business registers are attached for your review.

Committee Observation

The mapped businesses and evidence of register maintained by the Receiver of Revenue was not provided for audit verification.

Committee Recommendation

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

The Receiver of Revenue to develop and maintain a register of all land owners and businesses within the County and institute measures that ensure all businesses operate with valid business permits.

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

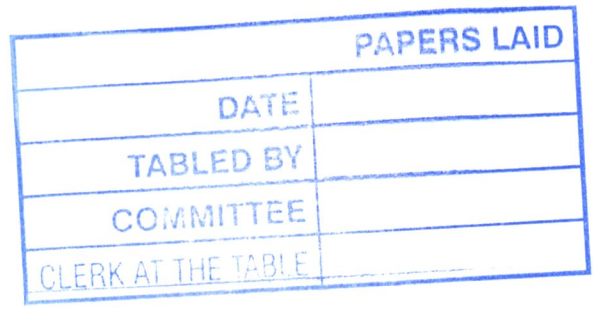
Basis for Qualified Opinion

1. **Unsupported Opening Balances**

The reported opening balances totalling Kshs.825,500,684 were not supported by transition Project Co-ordination Committee Report and Management did not prepare the opening statement of financial position as of 01 July, 2024 as provided for in Paragraph 79 of IPSAS 33.

Management has provided the first-year report on the transition from cash to accrual accounting, Bomet County accrual adoption framework, appointment letters of technical committee and technical committee report.

Management Response



A report by a cash to accrual Technical and Steering Committee on the opening balances has been provided for audit verification at

Committee Observation

The Committee observes that the failure to support opening balances with a Transition Project Co-ordination Committee (TPCC) report and an opening statement of financial position, as required by Paragraph 79 of IPSAS 33, is a breach of the principles of accurate and complete financial reporting under Article 201 of the Constitution.

Committee Recommendation

The County Treasury must avail a comprehensive TPCC report to support the opening balances of the County Revenue Fund. This report, duly verified by the cash-to-accrual technical committee, must be submitted to the Auditor-General for verification.

2. Budgetary Control and Performance

The County Revenue Fund experienced an under-funding of Kshs.1,811,164,245 or nineteen percent (19%) of the budget and an under- expenditure of Kshs.2,310,036,576 or twenty-four percent (24%) of the budget.

Management Response

Management has provided reasons for failure to meet the revenue targets. However, adequate safeguards implemented to ensure prompt collection of expected own source revenue and to remedy the situation has not been provided.

Committee Observations

1) The under-expenditure was attributed to delayed and late disbursements of exchequer which resulted in low absorption. The revenue administration Act is currently in place and has assisted in enforcement of own revenue collection.
2) Additionally, valuation roll has gone through public participation and awaiting approval by the County Assembly.

Committee Recommendations

1. **The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and**
2. **The County executive puts in place measures to enhance its own generated Revenue to meet its revenue target and address revenue shortfalls.**

3. Unresolved Prior Year Audit Matters

Four (4) issues were raised in the previous year's audit. However, Management had not resolved nor given any explanation for failure to do so.

Management acknowledges the audit observation and indicates that implementation of the outstanding issues has commenced.

Management Response

Management has commenced the implementation of outstanding matters as guided. Resolutions and annexes for prior year matters is at Annex 2.

Committee Observation

Management acknowledges the audit observation and indicates that implementation of the outstanding issues has commenced.

Committee Recommendations

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

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CHAPTER TEN

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

The Governor of Narok County Executive **Hon. Patrick Ole Ntutu, EGH**, appeared before the Committee on Wednesday, 10th Feb, 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of the Financial Year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

1. Non-Compliance with Transitional IPSAS Reporting Template

The cover page to the annual report and financial statements indicates "Transitional IPSAS financial statements/Prepared in accordance with the accrual basis of accounting method under International Public Sector Accounting Standards (IPSAS). This is indicative of Management failure to choose the method adopted to prepare the financial statements. Further, under Note 2 to Financial Statements on Statement of Compliance and Basis of Preparation of the financial statements, Management having taken advantage of the transitional provisions under IPSAS 33 have not indicated the elements of the financial statements that have not been recognized and the steps being taken towards full compliance with IPSAS Accrual.

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

Management Response

The cover page wording "Transitional IPSAS financial statements/Prepared in accordance with accrual basis of accounting method under International Public Sector Accounting Standards (IPSAS)" accurately reflects the entity's transitional status under IPSAS 33, which explicitly permits such statements during the phased adoption of full accrual IPSAS (up to three years) without claiming unreserved full compliance.

Note 2's reference to transitional provisions under IPSAS 33 satisfies the standard's disclosure requirements (para. 4), which mandate identifying exemptions applied and general progress toward full accrual but do not require listing specific unrecognized elements or detailed compliance steps during transition.

The financial statements, as prepared and presented, fully comply with the IPSAS reporting framework for transitional purposes. We consider this issue mitigated and request that the committee mark it as resolved.

Committee Observation

The Committee observes that the County Executive Committee Member for Finance failed to adhere to the mandatory financial reporting templates and guidelines prescribed by the Public Sector Accounting Standards Board (PSASB). This failure undermines the standardized financial reporting framework established under Section 194 of the PFMA, 2012 and the transitional guidelines issued by the National Treasury, thereby hindering transparency and comparability of public sector accounts.

Committee Recommendation

1. **The County Executive Committee Member for Finance is directed to ensure that future financial statements strictly comply with the reporting formats and disclosure requirements prescribed by the PSASB pursuant to Section 194 of the PFMA, 2012.**

2. **The County Executive must provide a detailed analysis of unrecognized elements and the steps being taken towards full compliance with IPSAS Accrual as required by the National Treasury's transition guidelines. The Auditor-General shall review compliance in the subsequent audit.**

2. Unsupported Expenditure on Rentals of Produce Assets

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs.4,341,684,224. Included in the amount is Kshs.249,892,223 in respect of rentals of produced assets which further includes an expenditure of Kshs.32,651,486 in respect of hiring of motor vehicles and ambulance services. However, the payment was not supported with local purchase orders, invoices, daily motor vehicle movement schedules and signed work tickets for the motor vehicles.

Further, included in the amount is an expenditure of Kshs.34,760,515 relating to expenses incurred in the financial year 2023/2024 and which were not part of the outstanding pending

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bills then. This was contrary to the requirement of Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires Management of the County to report the transactions which takes place within the financial year up to 30 June implying that the rentals of produced assets expense have been overstated by an amount of Kshs.34,760,515.

In the circumstances, the accuracy, existence, occurrence and completeness of the rentals of produced assets amount of Kshs.249,892,223 could not be confirmed.

Management Response

We acknowledge the audit observations on (i) missing supporting documents for motor vehicle/ambulance hires (Kshs.32,651,486) and (ii) inclusion of FY2023/24 expenses (Kshs.34,760,515) not reported as pending bills, potentially overstating the current year's figure contrary to Regulation 97(1) of the PFM (County Governments) Regulations, 2015. Supporting Documents Provided Motor Vehicle Hires (Kshs. 32,651,486) such as Local Purchase Orders, Invoices, and Daily Motor Vehicle Movement Schedules All documents confirm that services were rendered, received, and approved within FY2024/25, thereby validating their existence, occurrence, and completeness. Resolution of Prior-Year Expenses

The Kshs.34,760,515 relates to valid FY2023/24 commitments not captured as pending bills at that time FY2023/24 Pending Bills Schedule and Payment Vouchers PV-2023/456 to PV-2023/489). By the close of the FY 23/24 a total of Ksh.34,760,515 was recorded as a balance of pending bills in relation to hire of motor vehicle and ambulance services which was cleared between August and December of the FY 24/25.

The Management confirms that the full Kshs.249,892,223 (post-adjustment: verified as accurate) is now fully supported, confirming accuracy, existence, occurrence, and completeness. No irregular payments identified. We request that the query be closed as resolved.

Committee Observations

1. The Committee observes that the accounting officer failed to uphold the principles of public finance as enshrined in Article 201 of the Constitution. The failure to provide critical supporting documents (LPOs, invoices, work tickets) to the Auditor-General constitutes a violation of Section 62 of the Public Audit Act, 2012 and compromises the principles of transparency and accountability.

2. Prior year expenses not captured as pending bills contravenes Regulation 97(1) of the PFM (County Governments) Regulations, 2015, which requires that transactions be recorded in the financial year to which they relate.

Committee Recommendations:

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**
2. **The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015.**
3. **The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under sections 32 and 33 of the Accountants Act CAP 531 and provides a status update to the Senate within 60 days of adoption of this report.**

3. Unsupported Payment of Fuel, Oil, and Lubricants

The statement of financial performance reflects expenditure on the use of goods and services amounting to Kshs 4,341,684,224, which, as disclosed in Note 10 to the financial statements, includes an amount of Kshs. 98,489,800 in respect of fuel, oil, and lubricants. However, the contracted supplier, fuel statements and consumption records of the County Executive were not provided for audit review. Further, there were no internal control measures regarding requisition, approval and receipt of fuel, reconciliation of the fuel register, work tickets, total fuel expenses and monthly fuel expense returns by various departments to the County Headquarters. In addition, the fuel payment vouchers and supporting schedules were not provided for audit review. Therefore, the basis upon which the fuel expense was included in the financial statements was not clear.

In the circumstances, the accuracy, completeness and validity of the fuel, oil and lubricants expenditure of Kshs.98,489,800 could not be confirmed.

Management Response

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The County Executive acknowledges the audit observation concerning the initially unavailable supporting documents and internal control evidence for fuel expenditure amounting to Kshs. 98,489,800. Documents Submitted for Review include statements from the contracted supplier [Total Ltd.] for July to December 2024 totaling Kshs. 98,489,800, Consumption records and fuel register for the County Executive, Fuel payment vouchers and work tickets for goods received.

On Internal Control Measures:

The county has implemented the following procedures:

- Requisitions detail order processed by the fleet manager and accounting officer.
- Fuel receipts verified against work tickets; Issuance documented through work ticket.
- Monthly reconciliation of the fuel register.
- Quarterly returns submitted to County Headquarters by the 10th of the following month.

These measures substantiate the accuracy, completeness, and validity of the reported expenditure. We respectfully request that the observation be cleared upon verification.

Committee Observations

1. The Committee observes that the accounting officer contravened Section 149(1) of the PFMA, 2012, which mandates that resources be used in a lawful, effective, and transparent manner.

2. The failure to provide fuel statements, consumption records, and evidence of internal controls (requisition, approval, and reconciliation) to the Auditor-General, as required by Section 62 of the Public Audit Act, 2012, represents a systemic failure in internal control and exposes public funds to potential misappropriation.

Committee Recommendations:

The Committee recommends that;

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**
2. **The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit**

Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015.

3. **The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under sections 32 and 33 of the Accountants Act CAP 531 and provides a status update to the Senate within 60 days of adoption of this report.**

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Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.17,490,542,593 and Kshs.14,907,575,149 respectively, resulting in an under-funding of Kshs.2,582,967,444 or 15% of the budget.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the residents of Narok County.
My opinion is not modified in respect of this matter.

Management Response

We have duly noted the observations in the Statement of Comparison of Budget and Actual Amounts (Recurrent and Development Combined). The final budgeted receipts amounted to Kshs. 17,490,542,593, while actual receipts on a comparable basis totaled Kshs. 14,907,575,149, resulting in an underfunding of Kshs. 2,582,967,444, equivalent to 15% of the approved budget.
This variance is attributable to the following principal factors:

- A 7% shortfall in internally generated revenue, amounting to Kshs. 415, 186,674.
- Non-disbursement of certain anticipated grants totaling Kshs. 1,191,533,505 by the close of the financial year.

Management concurs that this underfunding adversely affected the execution of planned activities and may have occasioned negative implications for service delivery to the residents of Narok County.
To address these challenges, we have instituted the following remedial measures:

- Implementation of enhanced revenue mobilization strategies, including the diversification of Finance Act revenue streams, is projected to result in a 10% increase in internally generated revenue for the 2025/26 financial year
- Fully automating all revenue streams for the county and doing away with cash collections in the county.
- Proactive diversification of grant funding sources, coupled with accelerated pursuit of requisite approvals.
- Reprioritization of activities to safeguard essential services.

- Management undertakes to institute rigorous quarterly budget monitoring and performance reviews.

A detailed progress report will be furnished during the subsequent audit engagement.

Committee Observation

The Committee observes that the under-funding of the budget by 15% (Kshs. 2.58 billion) was caused by two primary factors:

1. A delay and shortfall in exchequer releases from the National Treasury, contrary to the spirit of cooperation in Article 189 of the Constitution and the requirement for timely transfers under Article 219 of the Constitution.
2. The county's failure to meet its own-source revenue targets, indicating weaknesses in revenue mobilization strategies, contrary to the fiscal responsibility principles in Section 107 of the PFMA, 2012.

Committee Recommendations

The Committee therefore recommends that:

1. **the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and**
2. **the County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**

Other Matter

Unresolved Prior Year Matters

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

Management Response

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We acknowledge that several issues were raised in prior years' audit reports under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance. In response, the County Executive prepared and submitted detailed mitigation measures and action plans, together with supporting documentation to the Senate. To date, we have not received any formal feedback or additional guidance on these submissions. We remain committed to fully resolving all outstanding matters and will continue to engage with the relevant oversight organs to obtain concurrence on the proposed corrective actions and timelines.

Committee Observation

The Committee observed that:

1) The status of unresolved prior-year audit matters was not included in the management responses.
2) Supporting documentation for the management responses has not been presented for confirmation.

Committee Recommendations

The Committee Recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Irregular Use of Manual Payroll

Review of expenditure on employee compensation for the financial year 2024/2025 revealed that the County Executive operated two parallel payroll systems, including a manual payroll system (Excel-based) and the Integrated Payroll and Personnel Database (IPPD) in conjunction with the Human Resource Information System (HRIS) Kenya. Available payroll records indicated that gross salary payments totaling Kshs.17,040,129 were made to employees through the manual payroll system.

Further, it was not possible to ascertain the accuracy and validity of these payments due to the fact that manual payroll processing requires manual computation of gross pay, statutory deductions, and net pay, which is prone to errors and manipulation. In addition, there was no adequate supporting documentation to confirm whether the employees paid under the manual system were genuine and whether the payments were duly authorized.

It was not therefore not clear why Management did not process all employee payments through the Government-approved IPPD and HRIS systems, which have built-in controls and audit trails. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which provides that an Accounting Officer is accountable for ensuring that the resources of the entity for which the officer is designated are used in a way that is - lawful and authorized; and effective, efficient, economical and transparent.

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

Management Response.

We acknowledge the audit observation regarding the operation of a manual payroll system alongside the IPPD/HRIS for temporary workers during FY 2024/2025, where gross payments totaled Kshs. 17,040,129.

The manual payroll (Excel-based) was used exclusively for temporary workers engaged on short-term contracts (e.g. casual laborers for specific county projects). This system maintained comprehensive records, including basic pay, gross pay, and statutory deductions, ensuring compliance with payroll computation standards. It was not a parallel system for permanent staff, who were fully processed via IPPD/HRIS. The manual approach was a transitional measure

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pending full onboarding into the IHRIS platform, as approved by county HR management to avoid delays in project execution.

All manual payroll records included employee IDs, contract details, timesheets, and authorization signatures from the relevant department heads. Statutory deductions (e.g., PAYE, NSSF, NHIF) were computed per GoK rates and remitted timely, with vouchers available for verification.

A post-audit reconciliation confirmed that there are no ghost workers in the manual system and that all the 105 beneficiaries were verified against HR departmental registers.

We recognize the risks of manual processing (e.g., potential errors) and the preference for IPPD/HRIS under PFM Act Section 149(1). The manual system was not intended as a long-term solution and was used to comply with interim HR guidelines for counties during system migrations which will lapse on 31st December 2025.

They commit to comply with the HR guidelines and fully onboard all payroll payments into the HRIS. They request that the committee consider the query as resolved.

Committee Observations

1. The Committee observes that operating a parallel manual payroll system contravenes the principles of effective internal control and transparency. This practice violates **Section 149(1) of the PFMA, 2012**, which requires accounting officers to ensure resources are used lawfully and transparently.
2. Manual systems lack the audit trail and built-in controls of the government-approved IPPD/HRIS, increasing the risk of errors, manipulation, and payment to ineligible persons. This undermines the integrity of the county's human resource and payroll management.

Committee Recommendations

The Committee recommends that;

5. **The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;**
6. **The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;**

7. **Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and**
8. **the Auditor General to monitor the matter in the subsequent audit cycle.**

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

Review of the County master roll and human resources records revealed that, out of five thousand two hundred eighty-six (5,286) employees currently engaged by the County Executive, three thousand six hundred ninety-four (3,694), or 70%, are from the same ethnic community. This was contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008, which requires that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public Institution shall have more than one-third of its staff establishment from the same ethnic community.

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

Management Response

The auditors' observation regarding the ethnic composition of the County Government of Narok's staff is true. However, we wish to clarify that most of its employees were inherited from the defunct local authorities. The County Government of Narok has been keen on observing Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008, in all its subsequent employments.

Committee Observation

The Committee observes that the County Executive's staff ethnic composition (70% from one community) is in clear violation of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which mandates that no public institution shall have more than one-third of its staff from the same ethnic community. This contravenes the national values and principles of governance, including inclusiveness and non-discrimination, as outlined in Article 10 of the Constitution.

Committee Recommendations

The committee recommends that: -

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

3. Non-Compliance with the One-Third of Basic Salary Rule

Review of the County Executive payroll data revealed that there were a number of employees whose salary is less than one third of their basic pay for a number of months during the year under review. This was contrary to Section 19 (3) of the Employment Act, 2007 which requires that the total amount of all deductions made by an employer from the wages of an employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

Management Response

The Integrated Payroll and Personnel Database (IPPD) System is configured to ensure compliance with the One-Third Basic Salary Rule. However, over time, several factors have necessitated unavoidable deviations from this requirement.
In 2020, during the COVID-19 pandemic, the Kenya Revenue Authority (KRA) implemented a PAYE review that temporarily reduced income tax rates from April to December to cushion Kenyans from the pandemic's economic impact. Consequently, many employees took out loans, leveraging the temporary increase in disposable income. Following the reinstatement of the original PAYE rates in January 2021, the resulting higher deductions, coupled with pre-existing loan commitments, breached the One-Third Basic Salary Rule for affected employees.

In addition, the Government introduced a contributory pension scheme in 2021 known as the Government of Kenya Public Service Superannuation Scheme (GOK-PSS), applicable to devolved staff within the DA Pay group. The contribution rates were set at 2.5% in 2021, 5% in 2022, and 7.5% in 2023. Employees who had already incurred deductions up to the one-third

limit of their basic salary were adversely affected, necessitating an exception to the One-Third Basic Salary Rule to accommodate statutory pension contributions.

Furthermore, employees with statutory or mandatory deductions such as fines, surcharges, overpayments, Higher Education Loans Board (HELB) repayments, or court-ordered attachments experienced breaches of the rule, as these deductions are legally prioritized under existing regulations.

Lastly, the introduction of new statutory deductions further impacted compliance. These include the Social Health Insurance Fund (SHIF) contribution at 2.75% of gross pay, the Affordable Housing Levy at 1.5% of gross pay, and the revised National Social Security Fund (NSSF) contribution, which increased from Ksh 0/Ksh 200 to Ksh 1,080. These changes collectively affected employees whose payroll deductions had already reached or exceeded one-third of their basic salary, resulting in additional, unavoidable violations of the One-Third Basic Salary Rule.

Committee Observation

The Committee observes that the County Executive violated Section 19(3) of the Employment Act, 2007 by having employees whose net pay fell below two-thirds of their basic salary. While factors like statutory deductions (SHIF, NSSF, Housing Levy) and loan repayments contributed, management has a duty to ensure that payroll configurations and employee commitments do not result in violations of the law.

The Committee therefore recommends that -

Committee Recommendations

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

4. Delayed Completion of Projects

The County Executive entered into contract agreement with several contractors for the construction and rehabilitation of ten (10) roads to bitumen standards and murraming and graveling at a cost of Kshs.632,059,513. As at the time of the audit in the month of July, 2025

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the projects were stalled, incomplete or abandoned. Further, the payment details and payment vouchers revealed that as the time of the audit, the County Executive had paid a total of Kshs.470,982,011 to the respective contractors.

The general conditions of contract states that the contractor shall submit to the Project Manager monthly applications of payments giving sufficient details of the work done and materials on site. However, no monthly progress reports were submitted to the project manager as required.

Further, the following observations were made in respect to the projects execution and payments made.

Management Response

We appreciate the audit's diligence and have reviewed all findings. The projects have since been completed, handed over and commissioned. The project manager confirms that all the monthly progress reports were duly submitted as per the general conditions of contracts and the reports were available in the technical file as annexed to this response.

Committee Observation

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

Committee Recommendation

The committee recommends that the matter be marked as resolved.

4.1 Proposed Upgrading of Nairagie-Enkare Market Road

During physical verification in the month of July, 2025, it was noted that the market road being tarmacked is approximately 1.4km and not 2km as indicated in the contract documents. Review of the contract documents revealed that under bill No.1, the project was supposed to provide project supervision vehicle, insurance for the project vehicle and project supervision amounting to Kshs.8,000,000, Kshs.500,000 and Kshs.1,000,000, respectively. No evidence was provided to confirm whether the project engineer and project implementation team supervised the works.

Further, review of the bills of quantities revealed that items on spread and compact of natural gravel for sub-base were charged a second time at Kshs.3,000,000 and therefore implying overstatement of the bills of quantities.

Management Response

As observed by the auditors, the Nairagie-Enkare Market Road project showed a discrepancy of 0.6km: the cover page states 2km, while the actual topography measured 1.4km in the bill of quantities.

The 2km as shown on the tender document's cover page was the initial negotiation estimate for the road's length, not the actual length. However, upon measurement, the Bill of Quantities documents issued to bidders indicated that the 1.4km was the true measurement of the road, which was the basis for the tender bids.

The Department of Roads, Transport, and Public Works has confirmed that the supervision vehicle registration number KDU 176Q was purchased by the contractor and handed over to the project manager for supervision. The same is currently being used by the project manager and was insured for 1 year. The project was substantially complete and commissioned on 8th September 2025.

Under supervision, we have annexed the site supervision minutes from the time the supervision team carried out the exercise. The engineer's representative (roads inspector) was available throughout the project period.

The auditors' review of the bill of quantities reveals an overstatement of Kshs 3,000,000, which was charged to the spread of natural gravel for the subbase. However, there is a distinct difference between the subbase and the base in preparing roads to bitumen standards. The amount above which the auditor implied was charged twice was the final compacted base above the subbase, which the contractor purchased at the same price as the subbase material.

Committee Observation

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

Committee Recommendation

The committee recommends that the matter be marked as resolved.

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4.2 Upgrading of Narok Township Roads to Bitumen Standard

Review of the contract documents revealed that the contractor was supposed to erect three publicity signboards for a total amount of Kshs. 150,000 and incur an amount of Kshs. 1,500,000 on project supervision. However, the contractor erected two publicity signboards and no evidence was provided to confirm how the amount of Kshs.1,500,000 was utilized on project supervision.

Further, the contractor had been paid amounts of Kshs.3,097,560, Kshs.5,672,070, Kshs.5,545,720, Kshs.13,972,200 and Kshs.1,600,000 totalling to Kshs.29,887,550 for cement and lime treated subgrade and subbase and base, culvert and drainage works, bituminous surface treatment and surface dressing, bituminous mixes, and road furniture, respectively. However, during the physical verification of the project in the month of July, 2025, it was noted that there was no evidence of lime treated subgrade as only natural stones spread on the surface were visible.

Further, the drainage works on the roads have not been done to the required standard. The contractor had not carried out the bitumen surface treatment and dressing as there is no bitumen on the site and there was nothing available to confirm the bituminous mixes. In addition, there is no road furniture installed on the road despite the contractor having been paid for their installation. It was not possible to determine how the payments were approved without confirming the actual works done on the project.

In the circumstances, there is high risk that the projects will not be delivered within the contractual period and value for money in the implementation of the project may not be achieved.

Management Response

The auditor noted the absence of signboards at the sites visited. However, the Narok Township contract covered several roads within the township, namely Lower Lenana Road, Garage Loop, Noolmong'i Road, and Prison Loop. The contractor installed three (3) publicity signboards at Lower Lenana, Noolmong'i, and Prison Roads. During the audit site visit, all three signboards were in place and remain intact to date.

The project supervision team carried out regular supervision at various stages of the works. Payments to the contractor were made in accordance with the approved schedules, as shown in the acknowledgment and payment documents.

At the time of the audit visit in July 2025, the top visible layer comprised natural stones forming the hand-packed base. This may have given the impression that lime treatment had not been undertaken. However, the underlying subgrade and subbase layers were stabilized with lime in line with the approved technical specifications. Supporting evidence includes site progress photographs taken during the construction of the subgrade and subbase layers, showing the lime stabilization process. Further, laboratory test results confirm that the lime stabilization met the required standards.

Drainage works were still in progress at the time of the audit, with only the cross culverts completed. Since then, all drainage works—including access culverts have been completed as per the Bill of Quantities. Additionally, all road furniture, including channels and kerbs, has been installed as of the date of this report.

Committee Observation

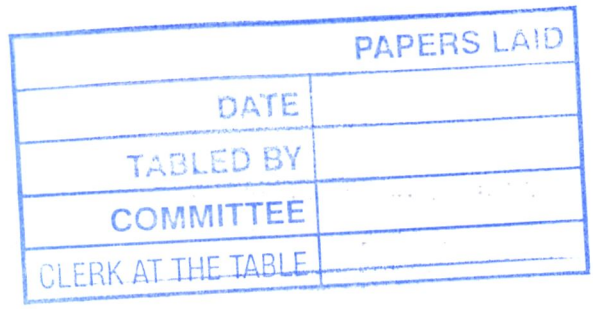
1) The Committee observes that payments totalling Kshs. 29,887,550 were made for project components (supervision, lime-treated subgrade, drainage, bitumen works, road furniture) that were not physically verified at the time of audit.

2) While management has since provided explanations and evidence of completion, this practice contravenes Regulation 50(1) of the PFM (County Governments) Regulations, 2015, which requires payments to be based on verified work done. The payment for project supervision (Kshs 1.5 million) lacked documentary evidence, indicating a weakness in contract management.

Committee Recommendations

The Committee recommends that;

5. **The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;**
6. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and**
7. **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**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5. Delayed Commencement of Planned Projects

Review of procurement documents submitted for the audit revealed that the County Executive awarded eleven (11) projects to different contractors for construction and civil works amounting to Kshs.238,573,432. The projects relate to works of footbridges and box culverts in various locations. The contracts were to commence on18 March, 2025 and last for a period of six (6) months. However, as at the time of the audit in July 2025, the signing of the contracts for the projects had not been done and the contractors were not on the site. Management did not provide explanations as to circumstances that contributed to the delays in the start of the projects.

In the circumstances, the expected value for money of the above projects amounting to Kshs.238,573,432 could not be confirmed and may have impacted negatively on service delivery to the public.

Management Response

The County Executive acknowledges eleven (11) projects valued at Kshs. 238,573,432, which were awarded on 18 March 2025. Contrary to the auditor's observation that the contracts were unsigned, all eleven contracts were duly executed. Of these, five are active and currently under implementation. During site handover, several challenges were encountered, including heavy rains and site inaccessibility. Although these challenges were subsequently addressed, six contractors failed to commence work, prompting administrative action to terminate their contracts.

Committee Observation

The Committee observes that the termination of six out of eleven contracts due to contractor failure represents a failure in the procurement and contract management process. This exposes the county to significant delays in service delivery and constitutes wasteful expenditure of resources (time and administrative costs), contrary to the principles of efficiency and economy in Article 201(d) of the Constitution and Section 149 of the PFMA, 2012.

Committee Recommendations

The Committee recommends that;

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

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Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 60 Days from the date of adoption of this report;

2. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and**
3. **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

6. Irregular Funding of National Government Projects

Review of records revealed that included in the construction of roads expenditure is an amount of Kshs.303,765,850 incurred on construction and routine maintenance of three (3) roads which fall under the National Government Road Agencies as detailed the table below:

Road Project	Contract Value (Kshs.	Agency Responsible
Maasantare Junction Ololulunga Centre	82,479,886	Kenya Rural Roads Authority
Nairagie Enkare Junction - Nairagie Enkare	95,509,809	Kenya Rural Roads Authority
Maasai Mara University Road	125,776,155	Kenya Urban Roads Authority
Total	**303,765,850**	

Management did not provide letters of approval from the relevant agencies and evidence of written agreement between the two levels of Government detailing the level of technical, financial, and capacity building support expected from National Government agencies as stipulated in Article 187 of Kenyan Constitution, to guide the implementation of these projects.

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

Management Response

The roads mentioned have been under maintenance of the County Government of Narok since the inception of the County Governments. This resulted from an unclassified road network. The last road reclassification was carried out in 2017, and since then, some roads have remained under the management of the Narok County Government. A review of the roads network was carried out in 2024, and we are currently awaiting the gazetting of the updated reclassified roads register by the Kenya Roads Board. There has been a public outcry to maintain the mentioned roads. The county government assumed that responsibility according to the 2013-2016 road register. Only one classified road register has been officially gazetted from 2013 to January 2016, as per the Kenya Roads Board Gazette Supplement No. 4 of 2016.

Committee Observations

1) The Committee noted that KeRRA maintains only a limited number of roads within Narok County, while the County Government has undertaken the maintenance of over 400 kilometres of critical rural roads that had been previously neglected by the Authority and had acquired approximately 120 road construction machines to support its operations
2) The Committee observes that the County Executive spent Kshs. 303 million on roads that fall under the mandate of national government agencies (KeRRA, KURA). This represents a significant duplication of functions and a potential misallocation of county resources.
3) While the county cites an un-gazetted road classification and public need, this action was not sanctioned by a formal transfer of functions and resources as envisaged in **Article 187 of the Constitution**, thereby breaching the division of functions set out in the Fourth Schedule.

The Committee recommends that—

1. **the County Executive strictly adheres to Article 187 of the Constitution and Part III of the Intergovernmental Relations Act (Cap. 265F) by entering into an agreement with the National Government for the transfer of a function designated to the National Government before undertaking that function.**
2. **The County Governor submits to the Senate and to the Office of the Auditor-General copies of all Transfer of Function agreements executed by the County Executive within 21 days of their execution, and in the case of agreements already executed, within 90 days of the adoption of this report.**
3. **The Committee recommends that the National Government, through the Ministry of Roads and Transport, review the mandate of KeRRA and KURA with a view to formally transferring the function and corresponding funds for the maintenance of specific rural roads to county governments, in line with the provisions for transfer of**

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functions under Article 187(2) of the Constitution. This will end duplication and ensure efficient use of resources.

7. Non-Compliance with Climate Change Regulations

Review of County Executive's processes and operations in relation to compliance with the law on Climate Change in respect of the environment and Climate Change Amendment Act, 2023 revealed that the County Executive had not fully implemented the laws, regulations and policies on climate change.

The audit noted that the Departments in the County Executive have not aligned their operations with the long-term low emissions Development Strategy (LT-LEDS) 2022-2050 through non-adoption of the renewable energy(solar) in water supply, non-adoption of climate smart agriculture practices and non-adoption of solar - street lighting. This has been attributed to low levels of awareness and budgetary constraints that have hampered the alignment to Low Emissions Development Strategy.

Further, the Management did not report on the Greenhouse Gas Emissions carbon credit projects within the County Executive. In addition, stakeholders were engaged through various committees and forums, there were no documentation on their contributions. Similarly, there was inordinate delay by the County Executive in disbursement of the allocated funds towards FLLoCA programs which hampers the timely realization of intended benefits of the allocated climate finances.

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

Management Response

The County Executive acknowledges the observation. The County has initiated steps to enhance compliance with the Climate Change (Amendment) Act, 2023, and related policies.
The non-alignment with the Low Emissions Development Strategy (LT-LEDS) has partly been due to budgetary constraints and limited technical capacity. However, the County has integrated climate-smart priorities within the 2025/26–2027/28 County Integrated Development Plan (CIDP) and is progressively adopting renewable energy technologies in water supply and public lighting projects.
To address the identified gaps, the County Executive is:

- Partnering with the Ministry of Environment and Forestry and development agencies to implement climate-smart agriculture programs.
- Establishing a County Climate Change Unit to coordinate reporting on greenhouse gas emissions, carbon credit initiatives, and stakeholder engagements.
- Improving documentation of stakeholder participation through formal minutes and reporting templates.
- Prioritizing timely disbursement of funds for the FLLoCA program in the 2026/27 budget cycle to ensure project continuity.

These combined measures are expected to bring the County Executive into full compliance with national climate change legislation, policies, and strategies.

Committee Observations

The Committee observes that the County Executive has not fully complied with the Climate Change (Amendment) Act, 2023. The failure to align departmental operations with the national Low Emissions Development Strategy (LT-LEDS), the absence of a greenhouse gas emissions reporting framework, and delays in disbursing FLLoCA funds indicate a lack of mainstreaming climate action into county planning and budgeting, contrary to the national legal framework.

Committee Recommendations:

1. **The County Executive should fully operationalize a County Climate Change Unit to coordinate compliance, reporting, and monitoring of climate action as required by law.**
2. **The County Treasury must ensure timely disbursement of FLLoCA funds to prevent delays in climate resilience projects, in line with the programme's work plans.**
3. **The Auditor-General is requested to report on the status of the county's compliance with climate change legislation in the next audit cycle.**

8. Failure to Implement E-Procurement System

During the year under review, the County Executive spent substantial amounts in acquisition of goods, works and services. However, the County Executive had not implemented the e-Procurement system hence goods, works and services were procured through manual procurement system. This was contrary to Executive Order No.2 of 2018 which directed all public procuring entities to conduct all procurement processes through the e-procurement module on the IFMIS system, effective from 1 January, 2019.

Further, Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 provides that the conduct of e-procurement procedures for the supply of

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goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the state portal.

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

Management Response

The National treasury issued a circular to the county government instructing for training of procurement and other essential staff of the county, in order to commence the procurement process through the e-procurement module on the IFMIS system. However, while in the process of implementing the e-procurement module, it became apparent that the national treasury had intentions of rolling out the electronic government procurement system (eGPS) from the 1st of July 2025. The county Supply Chain Management Services has since fully onboarded into the system. Its however worth nothing that there's a court order in force suspending the decision of the National Treasury circular E040/2025 and all subsequent requirement for mandatory use of e-procurement by public entities in line with section 77(1) of PPADA which allows submissions of tender documents in writing and in either electronic or in manual forms. The Court ordered all public entities to accept both electronics and manual tender documents and therefore the County Government is not in breach of the law.

Committee Observation

The Committee observes that the County's failure to fully implement e-procurement contravened Executive Order No.2 of 2018 and Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020. Reliance on manual procurement processes undermines transparency, competition, and value for money, which are core principles of public procurement enshrined in Article 227 of the Constitution.

Committee Recommendation

The Committee recommends that the County Executive should institute strong checks in procurement function as provided for in the Executive Order No.2 of 2018 and provide a status update to the Office of the Auditor General and this Committee within 90 days from the adoption of this report.

9. Non-Compliance with the Law on Access to Information

During the year under review the County Executive did not provide quarterly reports on access to information implementation and Access to Information (ATI) Register was not provided. Further, the institutional work plan detailing access to information programs and activities, sensitization, and trainings of the staff on access to information implementation was not provided. This was contrary to Section 27 of the Access to Information Act, 2016 which requires that at the end of every Government financial year the information access officer of the reporting institution shall prepare and submit the Annual Access to Information Report compiled from all quarterly reports prepared at the end of every financial year.

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

Management Response

Management acknowledges the audit finding and states as follows:
the root cause of the non-compliance was the absence of a dedicated Information Access Officer, coupled with inadequate staff training and sensitization on ATI obligations. However, the County will undertake to appoint a full-time Information Access Officer on or before February 28th 2026, with immediate responsibility for ATI compliance as well as compiled and submit overdue quarterly and annual ATI reports for FY 24/25 to the relevant authorities by March 15th, 2026.
The County will also Developed and operationalized the ATI Register, alongside an institutional work plan for ATI programs, staff sensitization, and training sessions (targeting 100% staff coverage by Q2 2026).

The management commit to undertake to develop a monitoring framework that will track compliance monthly, conduct internal reviews, submit quarterly reports to the County Assembly's Public Accounts Committee, and conduct annual verification through internal audits to ensure sustained adherence.

Committee Observation
The Committee observes that the County Executive violated Section 27 of the Access to Information Act, 2016 by failing to prepare and submit quarterly and annual Access to Information (ATI) reports. The absence of a designated Information Access Officer and an institutional work plan demonstrate a systemic failure to institutionalize the right of access to information, which is a fundamental right guaranteed under Article 35 of the Constitution.

Committee Recommendation

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The County Executive must ensure full compliance with the Access to Information Act by immediately appointing a qualified, full-time Information Access Officer. Evidence of this appointment must be submitted to the Office of the Auditor-General and this Committee within 60 days.

10. Stalled Projects

10.1. County Aggregation Industrial Park

The contract for the construction of County Aggregation Industrial Park at Limanet, Narok Town was awarded to a local contractor on 21 July, 2023 at a contract sum of Kshs.450,017,750. The contractor was to commence works on 24 August, 2023 for a contract period of twenty-eight (28) weeks with the expected completion date of the contract being 10 April, 2024. Audit inspection of the project in July, 2025 revealed that after the lapse of ninety-six (96) weeks from the contract start date, the project had stalled with no work in progress and only a partial perimeter wall had been done.
Further, the contractor was not on-site implying the abandonment of the project. In addition, the contractor was issued with certificate No.1 dated 20 March, 2024 from the Department of Roads, Public Works and Transport for payment of an amount Kshs.2,034,643 and advance payment amounting to Kshs.24,000,000 was paid.

No explanation was provided for the delay in the completion of the contract and Management did not provide evidence of any extension of the contract.

Management Response

The County aggregation industrial park was to be co-funded by the County Government of Narok and the National Government at the cost of Kshs. 450,017,750. The county government of Narok had budgeted for Kshs. 250,000,000 of which only Kshs. 24,000,000 was paid for the work already done and materials on site.
Notably, the counterpart funding of the national government of Kshs. 250,000,000 was not available during the financial year under review thus frustrating the implementation of the project further.

Committee Observation

1. The Committee observes that the County Aggregation and Industrial Park (CAIP) stalled due to the non-disbursement of counterpart funding by the National Government. This highlights a failure in intergovernmental fiscal arrangements and exposes the County to potential losses and stalled development, contrary to the objects of devolution in Article 174 of the Constitution.
2. The Committee observes that the contractor abandoned the site for Ewaso Ng'iro market shortly after commencement, and management failed to take timely decisive action. This indicates weak contract management and a failure to safeguard public funds as required by Section 149 of the PFMA, 2012.

Committee Recommendations

The Committee recommends that;

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

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10.2. Ewaso Ng'iro Barter Market

The contract for the construction of Ewaso Ng'iro barter market and supporting facilities in Naroosura/Maji/Moto Ward was awarded to a local contractor on 9 August 2024 at a contract sum of Kshs. 60,667,501. The contract was signed on 12 August, 2024 to run for a period of six (6) months with expected completion date of 12 February, 2025 and a Local Purchase Order was issued on 12 August, 2024.

Audit inspection of the project in July 2025, ten (10) months after commencement of the project, revealed that it had stalled. Interview with a caretaker on the site, disclosed that the contractor vacated the site in the month of September, 2024.

In the circumstances, there is risk that the completion of projects may be delayed beyond the contract period causing cost escalations and may have negatively impacted service delivery to the public.

Management Response

The contract (Tender No. NCG/OT/03/2024-2025, Kshs.60,667,501) awarded to M/s Budget Construction Consultant and Energy Ltd on August 12, 2024, saw initial site mobilization, but the contractor vacated in September 2024 after requesting an advance payment, which was appropriately declined per Public Procurement regulations.

Multiple project management letters have been issued urging the resumption of the works. Since the project management letters have not borne any fruits, the county has since initiated termination proceedings.

Committee Observations

1) The Committee observed that the project had stalled, with the contractor having abandoned the site in September 2024, barely one month after commencement of the works.
2) The project management letters authorizing the resumption of works were not provided for audit review as evidence of Management's efforts to resume the contract.

Committee Recommendations

The Committee recommends that;

1. **The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance**

Management Act and the Public Finance Management (County Government) Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.

2. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and**
3. **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

11. Irregular Transfer of Funds to Mara Operation Account

Review of the Integrated Financial Management Information System (IFMIS) payment details for the year under review indicate that four (4) transactions with a total expenditure of Kshs.11,000,000 were paid from the sub-item of recurrent bank account in the Mara Operations account. However, the expenditure related to payment to organizations and not Government agencies or entities. This was contrary to Section 154 (1) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall not authorize the transfer of an amount that is appropriated - for transfer to another County Government entity or person; for capital expenditure except to defray other capital expenditure; or for wages to non-wage expenditures.

Management Response

We acknowledge the audit observation regarding the four transactions totaling Kshs. 11,000,000 from the recurrent bank account sub-item in the Mara Operations account. We wish to clarify as follows:

The funds were transferred to the Maasai Mara Operations Account, an Account managed the county government executive, managed and operated exclusively by county staff for essential daily operations of the Maasai Mara Game Reserve. These were not payments to external organizations but internal reallocations within county structures to ensure seamless reserve management.

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Committee Observation

The Committee observes that the transfer of Kshs. 11,000,000 to the Maasai Mara Operations Account was irregular and violated **Section 154(1)(c) of the PFMA, 2012**, which prohibits the transfer of funds appropriated for wages to non-wage expenditures, and more broadly, prohibits the reallocation of funds in a manner not consistent with the original appropriation. The lack of documentation to demonstrate compliance with the law is a breach of internal controls.

Committee Recommendation

The County Executive must strictly adhere to the provisions of Section 154 of the PFMA, 2012 when authorizing any transfer of appropriated funds and ensure all such transactions are properly documented and compliant with the law.

12. Irregular Transfer of Funds to Narok Kajiado Economic Block

Review of expenditure records for the year under review revealed that an amount of Kshs.8,000,000 transferred to Narok Kajiado Economic Block (NAKAEB). However, the transfers were unauthorized since they were not included in the approved budget for the year.

Further, the transfers were made without any conditions or agreement and no verifiable document was provided in support of the Narok Kajiado Economic Block's constitutional mandate. This was contrary to Section 104 (1) of the County Governments Act, 2012 which does not allow public funds to be appropriated outside a planning framework developed by the County Executive Committee and approved by the County Assembly.

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

Management Response

The County Government acknowledges the observation regarding the transfer of Kshs. 8,000,000 to the Narok Kajiado Economic Block (NAKAEB). The transfer was made in good faith to support the initial setup and joint economic initiatives between the member counties. We confirm that the County Government appropriately budgeted for the said activities. Concerning the mandate and legality of the bloc, NAKAEB is established under an act of the County Assemblies of Narok and Kajiado pursuant to Article 189(2) of the constitution and section

6(5)A of the County Government Act 2012. As espoused in the collaboration agreement the formation of the Bloc is aimed to realize a fast and balanced regional development by creating enabling environment.

Committee Observation

The Committee observes that the payment of Kshs. 8 million to the Narok Kajiado Economic Block (NAKAEB) was irregular as it was not included in the county's approved budget for the year. This contravenes Section 104(1) of the County Governments Act, 2012, which prohibits the appropriation of public funds outside a county planning framework approved by the County Assembly, and Section 149 of the PFMA, 2012 which requires lawful use of resources.

Committee Recommendation

The Committee recommends that all future funding to such entities must be appropriated in the county's annual budget and comply with all applicable laws. The specific query is marked as resolved, but the principle of budgetary legality is reaffirmed.

13. Delay in Completion of Health Facilities

13.1. Narok County Referral Hospital Block

As previously reported, the completion of the construction of the Narok County Referral hospital block has delayed far beyond the expected completion period as detailed in the table below:

Project No.	Project Details	Contract Amount (Kshs.)	Amount Paid as at 30 June, 2025 (Kshs)	Expected Completion Date	%
NCG/TECH/ CHQ/039/20 19-2020	Proposed New Hospital Block and Mortuary at Narok County Referral Hospital.	637,680,794	621,338,949	09 August, 2021	90
NCG/TECH/ SERVICES/ REFERRAL/ 037/2021-2022	Mechanical, Electrical, Engineering Services and Associated Works for New Narok County Referral Hospital	469,614,655	289,797,960	18 July, 2022	65

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	Block				
Total		1,107,295,449	911,136,909		

At the time of audit in July 2025, Management explained that the initial contract had been terminated. However, documentary evidence of the request by the Head of Procurement unit for the termination of the contract, an approval by the accounting officer for the termination of the contract, the reasons for the termination and the resultant costs of terminating the contract and a complex and specialized contract implementation team recommendation for the contract termination were not provided.

Further, as at the time of the audit in July, 2025, the Hospital was still not in use three (3) years after the expected completion date and other payment amounting to Kshs.911,136,909 had already been made to the contractor.

Management Response

The County Government acknowledges the audit observation regarding delays in completing the Narok County Referral Hospital Block. The initial contract was terminated for prolonged non-performance and the contractor's failure to meet agreed milestones, despite several notices and site meetings. Documentary evidence supporting the termination, including the request from the Head of Procurement Unit, approval by the Accounting Officer, minutes of the Contract Implementation Team, and justification for termination.
Following the termination, the County Government engaged the National Government through the Ministry of Defense under an intergovernmental collaborative arrangement to expedite completion. The Ministry of Defense has taken over the remaining works, and physical progress currently stands at 85%. Completion and handover of the facility are expected by June 2026.

Committee Observations

The Committee observes that the prolonged delay in completing the Narok County Referral Hospital, over three years after the scheduled date, and the incomplete status of Lolgorian Level 4 Hospital, represent a failure in project management and a contravention of the value-for-money principle in **Article 201(d) of the Constitution**. Public funds (Kshs. 911 million for the Referral Hospital) have been tied up in incomplete projects, denying residents much-needed health services and representing potentially wasteful expenditure if not urgently resolved

Committee Recommendations

The Committee recommends that;

1. **The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance Management Act and the Public Finance Management (County Government) Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.**
2. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and**
3. **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.2. Lolgorian Level 4 Hospital

The Sub - County Hospital expansion works commenced on 25 January, 2022 for a contract period of twelve (12) months at a contract sum of Kshs.89,539,451. The completion date was to be 24 January, 2023. Review of payments made to the contractor as at 30 June, 2025 revealed that an amount of Kshs.40,000,000 against the certificate raised for work done of Kshs.38,236,409.64 thus implying an overpayment of Kshs.1,763,590.

Further, analysis revealed that the second certificate of works undertaken was signed by the County Works Officer and the County Engineer and approved the works for payment yet there were pending works valued at Kshs.8,730,132.60 implying approval of payment for pending work.

As at the time of physical inspection of the Hospital project in July, 2025, the Contractor was not on site. There was no evidence of contract extension or termination thereof provided, despite the contract period having expired two and a half years ago in January, 2023.

In addition, it was observed that the Hospital had a fully equipped theatre and three fully furnished wards with a bed capacity of one hundred and fifty (150) beds commissioned in June, 2022. However, as at the time of the audit in July, 2025 the wards and the equipment were not in use.

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In the circumstances, the value for money for the expenditure on the facilities and equipment may not be achieved and may have impacted negatively on service delivery to the public.

Management Response

The County Government also acknowledges the concern regarding the expansion works at Lolgorian Level 4 Hospital. The amount of Kshs 40,000,000 was paid in respect of three certificates, raised and dully approved by relevant officers. The three certificates of Kshs 22,370,815; Kshs 15,865,593 and Kshs 2,034,013 respectively totaling to Kshs 40,270,423, were submitted to finance department processing and payment. Upon receipt of the requisition a total Kshs 40,000,000 which was available in the account was disbursed to settle the certificates. A balance of Kshs 270,423 remained unpaid as per the certificates raised.

Regarding the alleged approved work for payment yet there were pending works valued at Kshs 8,730,132.60, its our position that all the certificates raised reflect the works done.

Mr. Chairman, regarding the non-use of completed wards and equipment, the County Department of Health is finalizing the staffing and utility connection requirements needed to fully operationalize the facility. The wards are expected to be in use by the start of the next financial year.

Committee Observation

The Committee observed that the project remains incomplete. Although some facilities are substantially completed, they are not operational and have not been put into use.

Committee Recommendations

The Committee recommends that;

1. **The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance Management Act and the Public Finance Management (County Government) Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.**
2. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 60 days of the adoption of this report; and**
3. **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

14. Unremitted Retirement Benefits Contributions

Review of records provided for audit revealed that the County Executive owed an amount of Kshs.1,911,131,070 to three pension funds which comprise of outstanding contributions and interest balance of Kshs.134,981,919 and Kshs.1,728,035,170 as tabulated below:

S/No.	Name	Amount (Kshs)
1.	County Pension Fund - DC Scheme	378,919,102
2.	Local Authorities Pension Trust	382,211,968
3.	Lap Fund	1,150,000,000
	Total	**1,911,131,070**

However, Management has not made any effort to clear the outstanding amount which continue to attract penalties. Further, continued non-remittance is a persistent material breach of the measures established under Public Finance Management Act and the ability of pension funds to service retirement benefits, as and when such benefits fall due, to the retiring employees may have been adversely affected.

This was contrary to Regulation 22 (2) (a) of the Public Finance Management (County Government) Regulations, 2015 which requires that in addition to the responsibilities of Accounting Officers provided in the Act, an Accounting Officer designated under the Act or any other Act, shall - comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation.

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

Management Response

The County Government acknowledges the observation regarding outstanding pension contributions and accrued interest owed to the three pension schemes, namely the County Pension Fund (CPF-DC Scheme), Local Authorities Pension Trust (LAPTRUST), and Local Authorities Provident Fund (LAPFUND), amounting to Kshs. 1,911,131,070 however, a total of ksh. 426,000,000 was paid during the year under review.

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The delay in full remittance arose mainly due to historical carry-forward arrears inherited from the defunct local authorities, coupled with revenue shortfalls during previous financial periods. Nevertheless, the County Government has since prioritized settlement of the pension arrears as part of its fiscal obligations under Regulation 22(2)(a) of the Public Finance Management (County Governments) Regulations, 2015, and the County Governments Retirement Scheme Act, 2019.

To date, payments totaling Kshs. 826,000,000 have been made across the three schemes, which gives a balance of Kshs. 1,085,131,070 which the management has prioritized to settle in the subsequent financial years. The County Treasury has also developed a structured arrears clearance plan for the next three financial years (FY 2025/2026 to FY 2027/2028), detailing annual allocations earmarked to offset the remaining balances.

In addition, the County has instituted an internal mechanism to ensure current pension deductions and employer contributions are remitted promptly on a monthly basis. This includes integrating payroll and pension remittance systems, regular reconciliation with pension administrators, and quarterly monitoring by the County Internal Audit Unit.

The County Government reaffirms its full commitment to ensuring compliance with pension regulations and to completely clearing all outstanding obligations within the agreed timeframe to safeguard employees' retirement benefits and prevent further penalties. Lapfund statement, supporting payment extracts from LAPFUND, LAPTRUST, and CPF-DC Scheme.

Committee Observation

1) The Committee observed that the County Government has accumulated outstanding pension contributions amounting to Kshs. 1.9 billion, inclusive of Kshs. 400 million in accrued interest and penalties.
2) The Committee noted that historical arrears inherited from defunct local authority contributed significantly to the outstanding balance, with the County having remitted Ksh 826 million to date, leaving a balance of approximately Ksh 1.0 billion.
3) The Committee observes that the County Government's failure to remit pension contributions, resulting in arrears of Kshs. 1.9 billion, is a serious breach of Regulation 22(2)(a) of the PFM (County Governments) Regulations, 2015. This action violates the fundamental rights of employees to social security and is a breach of fiduciary duty by the employer. The continued non-remittance adversely affects the ability of pension funds to service retirement benefits to former employees.

Committee Recommendation

1. **The Committee recommends that the County Government expedite the clearance of the outstanding balance of approximately Kshs. 1 billion in pension contributions over the**

next three financial years and provide a status update to the Auditor General within 90 days upon the adoption of this report; and

2. **The Committee recommends that the County Government submit detailed aging analyses for retirement benefit contributions and trade payables within 60 days, clearly distinguishing between inherited arrears and ongoing obligations, to enable targeted interventions.**

15. Grounded Assets Managed by a Contracted Service Provider

During the physical inspection of the machines in custody of a contracted service provider, it was observed that despite the County Executive's heavy expenditure to ensure that the equipment is well maintained and serviced. The following machines and equipment are currently not in use and are either grounded and serviceable or grounded and unserviceable:

No.	Registration	Make	Condition
1.	33CG 243A	Backhoe	Grounded and serviceable
2.	33CG 295A	Fuel Tanker	Grounded and serviceable
3.	33CG 350A	Fuel Tanker	Grounded and serviceable
4.	33CG 282A	Grader	Grounded and serviceable
5.	33CG 347A	Semitrailer 380hp	Grounded and serviceable
6.	33CG 320A	Shovel	Grounded and serviceable
7.	33CG 306A	Tipper J5-230	Grounded and serviceable
8.	33CG 308A	Tipper J5-230	Grounded and serviceable

However, Management did not submit any mechanical engineers reports to confirm the current condition of the machines.

Further, review of records revealed that the County Executive purchased six (6) concrete mixer 400L and two (2) reversing drum concreate mixers. However, the equipment has not been put into any meaningful use as the equipment are left idling and decaying in the yard. It was not

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possible to confirm why the County Executive acquired this equipment if they didn't intend to put them in use, further it was also noted that the mixers were not tagged or marked as County Executive machines.

In addition, it was observed that the County Executive is currently providing office space for the service provider in the County Executive facility. However, no documents have been provided by Management to explain the circumstances that warranted the provision of the office space to the service provider despite being paid in excess of Kshs.300,000,000 per year by the County Executive to take care of the County Executive equipment. Similarly, no evidence has been provided to confirm whether the service provider pays rent to the County Executive for using the County Executive facility or how the County Executive benefits from the arrangement of providing office space.

In the circumstances, the value for money for the expenditure incurred on the service provider to maintain the County Executive's equipment may not be achieved.

Management Response

The County Executive acknowledges that the listed machines were observed as grounded during the inspection period. However, it is important to note that all of the equipment by the time of audit inspection, were either awaiting repair or had been repaired awaiting scheduled work.

The Mechanical inspection reports for the 8 machines listed have been hereby submitted to this committee confirming the condition of each machine as attached to this response.

Regarding the concrete mixers (400L and reverse drum mixers): As at the time of audit inspection, the concrete mixers were returned back to the yard for cleaning and servicing awaiting next schedule of work.

All our machines are branded and properly marked as Narok county executive machines with specific identification numbers.

To guarantee the security of our more than 120 earthmoving equipment, the county government deemed it fit to have the service provider be domiciled within the precinct of county government facilities, this would enable the county to not only observe but also supervise appropriately the management of the mentioned equipment, to enable achievement of deliverables as per terms of reference.

On value for money assurance:

The County Executive remains committed to ensuring that all equipment in its custody is maintained in optimal condition and that public resources are used efficiently

Committee Observation

The Committee observes significant weaknesses in the management of the county's heavy equipment assets (valued at Kshs. 1.6 billion). Providing rent-free office space to a contractor paid Kshs. 300 million annually, without a contractual clause, exposes the county to potential loss of revenue and is inconsistent with prudent asset management under Section 72 of the PFMA, 2012. The lack of a centralized, secure yard and structured maintenance schedules further risk asset deterioration and compromises value for money.

Committee Recommendations

1. **The County should review and amend the service provider contract to include provisions for rent payment or equivalent compensation for the provided office space, ensuring compliance with Section 72(1) of the Public Finance Management Act of 2012.**
2. **The County Executive should establish a secure and dedicated maintenance yard for all earthmoving equipment to safeguard assets against potential risks and ensure organized storage and servicing; and**
3. **The Committee recommends that Management ensure optimal utilization of the grounded assets in order to realize value for money on public resources.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of an Updated Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.47,478,479,580 as disclosed in Note 26 to the financial statements. Review of records revealed that during the year under review, the County Executive spent an amount of Kshs.4,670,847,435 in acquisition of computers, printers, and other IT equipment. However, the County Executive did not provide an updated asset register showing all the assets in its possession. Further, the fixed assets register did not disclose the opening balances and additions for each asset category showing the dates individual assets per category was acquired, cost of acquisition per asset, the rate of depreciation applied, the accumulated depreciation and the net book value of each class of asset. In addition, no proper tagging system has been put in place for clear identification of the assets owned by the County Executive.

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

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Management Response

Management acknowledges the audit observation regarding the fixed assets register and the lack of tagging for property, plant, and equipment valued at Kshs. 47,478,479,580, including IT acquisitions of Kshs. 4,670,847,435, and states that the asset registers are continuously maintained through a decentralized system where departments update records upon receipt. Each department's asset custodian logs details, including acquisition date, cost, depreciation rate, accumulated depreciation, and net book value, directly into the shared Excel-based register within 7 days of procurement handover.

No asset is assigned to staff until the following mandatory steps are completed:

- Procurement Handover: Supplier delivers asset with invoice, delivery note, and warranty; Finance verifies and issues Goods Received Note (GRN).
- Initial Logging: Department tags asset temporarily (e.g., sticker with serial number) and enters full details into the asset register, approved by the department head.
- Physical Verification: The inventory section conducts spot checks and affixes a permanent barcode/RFID tag linked to IFMIS.
- Approval Gate: IT/Finance reviews register entry; asset is released only after Verified & Tagged status is stamped.
- Staff Issuance: Asset Allocation Form is signed by the recipient staff, custodian, and head, with a copy filed in both the department and the central registry.

Going forward, the County will endeavor to improve its systems by addressing the gaps noted by the Auditors. This includes ensuring that IT and Finance develop a centralized web-based app/database for real-time access and updates across all departments, and that all staff are trained on their responsibilities regarding county government assets.

Committee Observation

The Committee observes that the failure to maintain an updated and comprehensive fixed assets register, with proper tagging and detailed records for assets worth Kshs. 47.4 billion, is a critical weakness in internal controls. This contravenes Section 72 and 153 of the PFMA, 2012, which require accounting officers to be responsible for the management and proper accounting of assets. This failure compromises the safeguarding of assets and hinders accurate financial reporting.

Committee Recommendations

The Committee recommends that -

1. **County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;**
2. **County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and**
3. **Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.**

2. Lack of Fraud and Risk Management Strategies

The County Executive did not have in place a Fraud Management Policy to assist in detecting and preventing fraud during the year under review. Further, Management did not have a risk management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.

In addition, it was observed that the County Executive lacks disaster recovery plan or business continuity plan which outline how it will continue operating during an unplanned disruption in service. Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. Similarly, the Management did not perform formal risk assessments during the financial year audited.

In the circumstances, Management may not be in a position to evaluate, rank and prioritize critical risks and channel resources towards mitigating identified risks.

Management Response

Management acknowledges the absence of formal Fraud Management Policy, Risk Management Strategy, Disaster Recovery Plan, and Business Continuity Plan during the audit year, contrary to PFM (County Governments) Regulation 158(2015). No formal risk assessments were conducted, limiting the ability to prioritize risks.

Mr. Chairman, the root cause of this oversight is the de-prioritization of Policy development during post-devolution stabilization, with resources focused on core financial reporting and

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service delivery. Since the auditor brought this to our attention, we have taken corrective measures to address the issue in accordance with the law. First, the Risk Management Committee was inaugurated on January 20, 2026, and has since developed a draft policy, with the first assessments due on February 28, 2026. Subsequently, a draft Fraud Policy is currently under legal review, and the following are also currently being undertaken

Internal Audit training for staff was held on January 15, 2026, and the remaining business continuity plans, including the risk report, are scheduled as follows.

Timeline

Action	Target date
Risk/Fraud Policies	February 2026
BCP/DR Plan	April 2026
Risk Report	February 2026

Approved policies will be ready by the end of the next financial year for verification

Committee Observations

1) The Committee observed that the Fraud and Risk Management Policies remain in draft form and have not yet been formally approved or implemented by the County Executive.
2) The Committee observed that the absence of formal Fraud Management, Risk Management, and Business Continuity Policies contravenes **Regulation 158 of the PFM (County Governments) Regulations, 2015**. Without these policies, the county lacks approved processes and guidelines to detect fraud, mitigate operational, legal, and financial risks, and ensure continuity of service in case of disruption, leaving public resources vulnerable.

Committee Recommendations

The County Executive must expedite the development, approval, and implementation of a comprehensive Risk Management Policy, Fraud Policy, and Business Continuity Plan, and submit them to the Auditor-General for verification within 90 days of the adoption of this report.

3. Ineffective Operations of the Internal Audit Function and Audit Committee

Review of records provided for audit revealed that the County Executive's internal audit department did not have an approved internal audit charter, approved annual audit plan and independent budget or authority to incur expenditure.

Further, the risk assessment and internal audit reports for the year under review were not provided including the minutes of the audit committee indicating that the internal audit function was being supervised. In addition, the recruitment and operationalization of the audit committee had not been done at the time of the audit in July, 2025.

In the circumstances, there is no proper system to monitor the County Executive's governance and accountability processes and control environment and to offer objective advice on issues concerning risk, control, regulatory requirements and governance.

Management Response

The County Executive has made substantial progress in strengthening the internal audit function and its governance structures. As the year under review, the Internal Audit Department operated under an approved Internal Audit Charter and a risk-based Annual Audit Plan, both of which guided its activities in line with Regulation 153(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

Further, the County Audit Committee was formally appointed on 8th October 2024 and has since been inducted and held three meetings, providing oversight and strategic direction to the internal audit function. In the current financial year, the department has been allocated an independent budget, and an Authority to Incur Expenditure (AIE) has been issued to the Head of Internal Audit, thereby enhancing operational autonomy and effectiveness.

Management remains committed to continuous improvement and full compliance with applicable regulations. Measures are in place to ensure that the internal audit function continues to operate independently, with adequate resources and oversight, thereby contributing meaningfully to the County Executive's accountability and governance processes.

Committee Observations

1. The Committee observes that at the time of audit, the internal audit function lacked an approved charter, annual plan, and independent budget, and the audit committee was not yet operationalized. This contravenes Regulation 153 and 167 of the PFM (County Governments) Regulations, 2015.

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2. Without an effective internal audit and oversight committee, the county's control environment, risk management, and governance processes are severely weakened, as there is no proper system for independent and objective assurance.

Committee Recommendations

1. **The County Executive must ensure the Internal Audit Department operates strictly in accordance with Part XIII of the PFM (County Governments) Regulations, 2015, with an approved charter, risk-based annual audit plan, and independent budget.**
2. **The Committee further recommends that the SRC should review the compensation framework for Audit Committee members since the low sitting allowances may not attract seasoned professionals to the county Audit Committees.**

4. Weak Information and Communication Technology Controls

Review of the County Executive's Information and Communication Technology (ICT) Environment revealed that there was no formal approved ICT Policy. The Management did not assess the impact of an outage or disruption to the information communication technology systems and did not develop business continuity or information technology disaster recovery plan. Further, Management had not established an Information Technology (IT) strategic committee which should provide governance on information technology matters. Therefore, in case of a disaster, significant delays or disruptions of activities may occur, the County Executive may not recover or restore critical infrastructure services and systems affecting all operations that rely on the Information Communication Technology.

In the circumstances, the integrity, security, and reliability of the County Executive's financial data including its Management Information System could not be confirmed.

Management Response

Management acknowledges the audit observation regarding the absence of formal ICT governance structures and policies. We recognize ICT's critical role in ensuring efficiency, data integrity, and business continuity.

Actions Taken:

- A comprehensive ICT Policy has been developed and is pending County Assembly approval within the current financial year.

- Development of a Business Continuity and Disaster Recovery Plan is underway, expected to be completed by Q3 FY 2025/26.
- An ICT Steering Committee is being constituted to provide ICT governance and strategic direction.
- A five-year ICT Strategic Plan has been drafted, aligned with the National ICT Master Plan and the County Integrated Development Plan (CIDP).

Management remains committed to complying with legal requirements and continuously strengthening ICT governance to enhance service delivery and resilience.

Committee Observations

1) The Committee noted that the County Executive had developed a draft policy, which is currently awaiting approval by the County Assembly.
2) The Committee observed that the absence of an approved ICT Policy, a Disaster Recovery Plan, and an ICT Steering Committee exposes the county's financial data and operations to significant risk. This lack of a formal ICT governance framework contravenes the principles of sound financial management and data integrity as implied in Section 149 of the PFMA, 2012.

Committee Recommendation

The County Executive must fast-track the approval of the ICT Policy by the County Assembly and ensure its full operationalization. A copy of the approved policy must be submitted to the Auditor-General for verification within 60 days.

5. Weak Controls Related to Voided Transaction

Review of the Integrated Financial Management Information System (IFMIS) records revealed that various transactions were processed and subsequently voided or cancelled during the year under review. However, the transactions were not supported with relevant documentation such as payment vouchers, authority or justification for voiding, journal vouchers reversing the transactions and final payment records.

In the circumstances, the effectiveness of internal controls related to recording of transactions could not be confirmed.

Management Response

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Management acknowledges the observation. The instances where transactions were voided or cancelled without complete supporting documentation were due to [system errors / incorrect data entries / workflow issues / oversight during documentation].

Immediate steps have been taken to address this weakness. All voided or cancelled transactions are now reviewed and approved by the respective departmental heads, with full supporting documents retained in the IFMIS and physical files.

Further, internal control procedures have been enhanced to ensure that any reversal of transactions is properly documented with payment vouchers, authorization notes, and journal vouchers. Regular internal audits and periodic reconciliations will be conducted to confirm compliance and accuracy of IFMIS records.

Committee Observations

The Committee observes that the voiding or cancellation of IFMIS transactions without proper supporting documentation (authority, justification, journal vouchers) represents a significant breakdown in internal controls. This practice creates a weak audit trail and poses a high risk of manipulation of financial records and potential diversion of public funds, contrary to the principles of transparency and accountability in **Article 201 of the Constitution** and the control environment required under **Section 149 of the PFMA, 2012**.

Committee Recommendations

1. **The National Treasury to review the voided transactions to confirm whether due process was followed inn voiding, noting to stipulate how and why the transactions were voided, and report back to the Senate within ninety (90) days of adoption of this report;**
2. **the Cabinet Secretary for the National Treasury to ensure IFMIS is reconfigured with the Central Bank of Kenya system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved for payment and report back to the Senate within ninety (90) days of adoption of this report; and**
3. **the Ethics and Anti-corruption Commission investigates the voided transactions to determine whether funds were utilized for purposes approved by the Controller of Budget.**

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

1. Under Collection of Property Rent Revenue

The statement of revenue and disbursements reflects an amount of Kshs.4,903,863 in respect of property rent as disclosed in Note 17 to the revenue statements. However, the amount is significantly below the budgeted amount by Kshs.12,296,137. Review of rent records revealed that the County Government did not maintain an updated tenant register indicating the tenant's name or identity card number, property /stall/house number, location, lease /tenancy agreement, monthly rent, date of occupancy, amount billed, amount paid, arrears, and payment date for county-owned stalls and residential houses.

Further, there were rent arrears totaling Kshs. 402,150 which were outstanding as at 30 June 2025 from tenants occupying County-owned houses. The arrears for market stalls could not be determined since no supporting documents were provided for audit relating to the market stalls. In addition, some tenants occupied premises without valid leases or tenancy agreements. Management did not provide any evidence of demand notices, follow-up, or recovery measures undertaken by the County Government for the property rent arrears.

In the circumstances, the accuracy and completeness of the property rent amount of Kshs. 4,903,863 for the period ending 30 June 2025 could not be confirmed.

Management Response

The County Government acknowledges the observations noted regarding the variance between the budgeted and actual property rent collections for the financial year ended 30th June 2025. The underperformance was primarily due to the dilapidated condition of several county residential houses and market stalls, which rendered them uninhabitable and consequently led to prolonged vacancies. Rehabilitation work is underway, and several units have already been renovated to attract new tenants.

In response to the audit observations on record management, the County Government has since updated and consolidated a comprehensive tenant register for all county-owned properties, including residential houses and market stalls. The register now captures critical details such as

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tenant name, national identification number, property or stall number, location, tenancy agreement reference, date of occupancy, monthly rent payable, amount billed, amount paid, arrears position, and payment date. An extract of the updated register is attached herewith as Appendix 1a for your review.

Regarding market stalls, a digital billing and receipting module has been integrated into the County Revenue Management System to record all transactions in real time. Supporting documentation relating to market stall occupancy, billing, and payments is now available for audit verification.

On rent arrears, the County Government has issued formal demand notices to all tenants with outstanding balances and initiated enforcement and recovery measures, including possible legal action where necessary. Copies of the demand notices and follow-up correspondence are attached as Appendix 1b

Furthermore, the County Government is currently regularizing tenancy documentation for all occupants of county-owned properties. Renewal and signing of valid tenancy agreements are ongoing to ensure compliance, accountability, and improved revenue assurance.

Management remains committed to strengthening internal controls governing property revenue management and will continue implementing corrective measures to ensure the accuracy, completeness, and reliability of rent revenue records in future financial periods.

Committee Observation

The Committee observes that the failure to maintain an updated tenant register and collect rent arrears (Kshs. 402,150) constitutes a breach of the accounting officer's duty to safeguard and collect county revenue. This violates **Section 157 and 158 of the PFMA, 2012**, which place responsibility on receivers and collectors of revenue for the collection and accounting of all county revenue. The absence of valid tenancy agreements for some tenants further exposes the county to legal risks and revenue loss.

Committee Recommendation

1. **The Accounting Officer institute immediate measures to recover the outstanding arrears of Kshs.402,150 for county-owned houses and quantify and recover arrears for market stalls, providing verifiable evidence to the Office of Auditor General and the Senate within ninety (90) days from the adoption of this report;**

2. **The Accounting Officer develops and implements a comprehensive digitized tenant register incorporating all required details as per best practices in revenue management, and submit a compliance report to the Office of Auditor General and the Senate within ninety (90) days from the adoption of this report;**
3. **The Accounting Officer regularize all tenancies by executing valid lease or tenancy agreements for occupied premises, and evict any unauthorized occupants, with progress reports submitted to the Office of Auditor General within ninety (90) days from the adoption of this report.**

2. Unsupported Parking Fees

The statement of revenue and disbursements reflects an amount of Kshs.17,989,200 in respect of parking fees as disclosed in Note 15 to the revenue statements. However, a register of designated parking lots available within the County urban centers, that generated the reported revenue, and evidence that the County had parking infrastructure with marked and secured parking areas in place were not provided for audit review. Further, various parking slots reserved for saloon cars were instead allocated to matatu and motorcycle picking stages. In addition, monthly motor cycle parking fee of Kshs.300 per motor cycle was not collected in the year under review. This was contrary to Part 1 of the Sixth Schedule of the Narok County Finance Act, 2023 which provides for a monthly motor cycle parking fee of Kshs.300.

In the circumstances, the accuracy and completeness of the reported parking fees of Ksh.17,989,200 for the period ending 30 June, 2025 could not be confirmed.

Management Response

The County acknowledges the observations made regarding the statement of revenue and disbursements for the year ended 30 June 2025 and responds as follows;

Register of Designated Parking Lots: A comprehensive register of designated parking lots within Narok urban centers has since been updated and authenticated by the Department of Transport and Urban Planning. The register details the location, capacity, and category (saloon, PSV, or motorcycle) of each parking area. A copy of the updated register is attached as **Appendix 2a.** During the audit period, some newly developed and rehabilitated parking zones were still under construction; therefore, complete marking and signage had not yet been finalized. These works have since been completed, and the areas properly demarcated and secured.

The County Administration has reviewed and rectified the previous misallocation of parking slots designated for saloon vehicles, which were being used by matatu and motorcycle operators.

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Formal directives have been issued to the Municipal Enforcement Unit to ensure that all vehicle categories strictly adhere to their designated parking zones, in full compliance with the County Transport By-Laws.

It is worth noting that the main street of Narok Town also serves as the principal highway connecting Bomet and other neighboring counties. This dual use results in persistent traffic congestion, particularly during peak hours. The absence of a bypass further constrains traffic circulation and management within the Central Business District. Consequently, vehicles are often perceived to be parked along major thoroughfares when, in reality, they are caught in slow-moving traffic. These conditions have posed practical challenges in enforcing parking regulations and fully implementing the designated slot system. Nevertheless, the County continues to pursue long-term traffic decongestion strategies to improve mobility and enhance order in the town center.

Motorcycle Parking Fees Compliance: It is noted that the monthly parking fee of Ksh 300 per motorcycle, as provided under Part 1 of the Sixth Schedule of the Narok County Finance Act, 2023, was not consistently collected during the year under review due to system configuration and enforcement gaps. The County has since reconfigured the revenue system to capture all motorcycle parking payments and strengthened enforcement through ward-level revenue officers. Collection of motorcycle parking fees is now fully compliant with the Finance Act, effective from Oct 2023. (Appendix 2b – Copy of Finance Act 2023)

Accuracy and Completeness of Reported Parking Revenue:

The total revenue of Ksh 17,989,200 reported under Note 15 includes all forms of parking-related income, such as street parking, bus park fees (including monthly stickers and reserved parking), and motorcycle parking. Supporting schedules and system-generated reports from the revenue management system are attached to substantiate this figure.

The County remains committed to strengthening internal controls, ensuring full compliance with the Finance Act, and maintaining comprehensive documentation for all designated parking facilities and associated collections.

Committee Observation

1. The Committee observed that the failure to provide a comprehensive register of designated parking lots to the Auditor-General violated Section 62 of the Public Audit Act, 2015.
2. The misallocation of parking slots and failure to collect the statutory monthly motorcycle parking fee of Kshs. 300, as provided in the Narok County Finance Act, 2023, represents a failure in revenue administration and enforcement, contrary to the requirement that no tax or

fee may be waived or varied except as provided by legislation (Article 210 of the Constitution).

Committee Recommendations

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report;**
2. **The County Government should immediately undertake an assessment and development of proper parking infrastructure, ensuring that all parking areas are marked, secured, and compliant with relevant regulations.**

3. Unsupported Receivables from Exchange Transaction

The statement of financial position reflects receivables from exchange transactions, a balance of Kshs. 231,673,425 as disclosed in Note 33 to the revenue statements. However, Management did not provide the **details of invoices issued but not paid by the various client**s. Further, Management has not provided measures being put in place **to collect the outstanding amounts.**

In the circumstances, the accuracy, completeness, and recoverability of the receivables from exchange transactions balance of Kshs. 231,673,425 as at 30 June 2025 could not be confirmed.

Management Response

The receivables from exchange transactions balance reported in the statement of financial position amounting to Kshs. 231,673,425 as stated in the audit observation represent an outstanding collectable revenue as at 30th June 2025. This amount was invoiced and collected by the agent but was not remitted to the county revenue account as at 30th June 2025. However, the collecting agent remitted the amount in full in the month of July 2025 and was recorded by the county as revenue arrears received.

To strengthen receivables management, the county has implemented the following measures:

- Continuous monthly reconciliation between billing records and bank receipts to ensure all collections are promptly recorded.
- Regular follow-ups and issuance of statements to clients with outstanding amounts.

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Committee Observations

1) Committee noted that the County entity did not submit the relevant documents to the Auditor General during the audit exercise contrary to section 62 of the Public Audit Act, 2015.
2) The Committee observed that the failure to provide details of outstanding invoices and a plan for their collection contravenes Section 158(3) of the PFMA, 2012, which requires receivers of revenue to provide statements of arrears. The lack of a robust debt recovery plan for Kshs. 231.6 million in receivables represents a weakness in revenue assurance and a failure to diligently pursue money due to the county.

Committee Recommendations

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report;**
2. **The Committee further recommends that the Management develop and implement a robust debt recovery plan, including timelines, responsible officers, and escalation procedures for long-overdue amounts, and provide evidence of the same to the Auditor-General within 90 days of the adoption of this Report.**

4. Non-Compliance with Transitional IPSAS Reporting Template

The cover page to the annual report and revenue statements indicates "Transitional IPSAS revenue statements / Prepared in accordance with accrual basis of accounting method under international public sector accounting standards (IPSAS). This is indicative of Management's failure to choose the method adopted to prepare the revenue statements. Note 2 to Revenue statements on Statement of Compliance and Basis of Preparation of the revenue statements, Management having taken advantage of the transitional provisions under IPSAS 33 have not indicated the elements of the revenue statements that have not been recognized and the steps being taken towards full compliance with IPSAS Accrual.

Management Response

Management has been responded to under the Narok County Executive main financial statements

Committee Observation

The County Executive Committee Member for Finance failed to adhere to the reporting template prescribed by the PSASB. This is a recurring issue and contravenes **Section 194 of the PFMA, 2012**.

Committee Recommendation

The County Executive must present their financial statements, including those for the Receiver of Revenue, in the format prescribed by the Public Sector Accounting Standards Board, as required by law.

Emphasis of Matter

1. **Unexplained Reduction Across Revenue Streams**

Review of the revenue statements and other records revealed that the receiver of revenue registered a significant reduction of revenue for five (5) revenue streams from the previous year as detailed in the table below:

Revenue Component	**Amount as at 30 June 2025**	**Amount as at 30 June 2024**	**Decrease in Revenue**	**Decrease %**
	Kshs	**Kshs**	**Kshs**	
Revenue from non-exchange transactions				
Cess	164,249,056	209,520,729	45,271,673	22%
Land Rates	10,216,248	18,707,185	8,490,937	45%
Single /Business Permits	64,105,183	70,367,304	6,262,121	9%
Revenue from exchange transactions				
Market Fees	9,071,730	13,568,097	4,496,367	33%
Advertising	9,851,451	10,493,146	641,695	6%

Management did not provide an explanation for the significant decline in revenue collection for the revenue streams. It was also not clear how the various revenue heads registered a reduction

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in revenue yet the County has a significant rise in settlement and possibly an increase in the number of businesses during the year.

Management Response

Management acknowledges the noted decline in revenue collections across the identified revenue streams for the financial year ended 30 June 2025. The decrease was primarily due to a combination of operational, environmental, and external factors that adversely affected revenue-generating activities in the County.

Insecurity and inter-community conflicts: During the year under review, incidents of insecurity and inter-community clashes were reported in certain parts of the County. These incidents resulted in the temporary closure of livestock saleyards, open markets, and various business premises. Consequently, revenue from Cess, Market Fees, and Single Business Permits declined significantly due to disruptions to trade and the movement of goods and services.

Adverse weather conditions and poor infrastructure: The County experienced heavy rainfall and flooding in the early part of the financial year, which rendered several market access roads impassable and led to the closure of trading centers, camps and lodges in the Maasai Mara. These conditions negatively impacted business operations and limited opportunities for advertising, hence reducing collections from Single Business Permits and Advertisement Fees.

Livestock disease outbreaks: The outbreak of livestock diseases, particularly in pastoral areas, adversely affected livestock markets. This led to movement restrictions and a decline in animal sales, which in turn resulted in lower Cess collections from livestock trading activities.

Power outages and network connectivity challenges: Persistent power interruptions and poor network coverage, particularly in remote revenue collection points, hampered the effective functioning of electronic revenue collection systems. This hindered timely remittance and led to reduced realization of Market Fees and other transaction-based revenues.

To mitigate the above challenges, the County Government has taken the following steps to address the challenges encountered:

- Strengthening collaboration with national security agencies to enhance peace and stability in affected regions.
- Implementing infrastructure improvement programs targeting market access roads to facilitate trade activities.
- Upgrading and diversifying revenue collection systems to include offline functionality in areas with limited connectivity.

- Supporting the Department of Veterinary Services to curb livestock disease outbreaks and restore normal livestock trading operations.

Management remains committed to implementing these measures to stabilize and enhance future revenue performance across all streams.

Committee Observation

The Committee observed that the significant decline in collections from key revenue streams (Cess, Land Rates, Permits, etc.) indicates weaknesses in revenue administration. While factors like insecurity and weather were cited, the failure to meet budgeted targets is a breach of the fiscal responsibility principle requiring efficient revenue collection. This underperformance affects the county's ability to finance its development plans and service delivery as required by **Section 107 of the PFMA, 2012**.

Committee Recommendations

1. **The County Government enhance revenue collection mechanisms, including the adoption of digital platforms for payment and monitoring, to minimize leakages and improve efficiency in these underperforming streams.**
2. **The County Assembly prioritize the review and enactment of updated legislation or by-laws related to these revenue streams to align with current economic realities and ensure progressive taxation that does not unduly burden residents and businesses**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Delays in Transfer of Revenues into County Revenue Fund Account

The statement of revenue and disbursements reflects total revenue balance of Kshs.5,954,416,391. However, the total disbursements and other charges amounted to Kshs.5,848,779,316 as at 30 June, 2025 resulting to an undisbursed amount of Kshs.105,637,075. Therefore, the receiver of revenue did not promptly deposit all the funds received into the County Revenue Fund (CRF) Account. This was contrary to Regulation 81(1) and (2) of the Public Finance Management Act (County Governments) Regulations, 2015 which stipulates that the receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund and that the receivers of revenue shall promptly

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pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

Further, review of the bank statements provided for audit revealed that one (1) account held at a local bank was used to collect revenue amounting to Kshs.460,354 but no transfer into the CRF was made during the year.

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

Management Response

The undisbursed balance of Kshs. 105,637,075 represents funds held in the County's own source revenue collection accounts as at 30 June 2025. Of this balance, Kshs. 103,364,400 (representing 98%) was transferred by KAPS to the County Revenue Fund (CRF) on 30 June 2025, as evidenced by the attached bank transfer extract (Appendix 3 – Bank Transfer Extract).

The remaining Kshs. 2,272,675 was subsequently transferred to the CRF on 2nd July 2025, thereby clearing the entire balance reflected as undisbursed at year-end.

It is acknowledged that Kshs. 460,354 collected through the County's Equity Bank revenue account was not transferred to the CRF before the close of the financial year. The balance was, however, swept and deposited into the CRF account on 2nd July 2025.

To enhance compliance with Regulation 81(1) and (2) of the Public Finance Management Act (County Governments) Regulations, 2015, the County Treasury has instituted a daily reconciliation and transfer process for all revenue collection accounts. Additionally, responsible officers have been sensitized on the requirement to promptly remit all collections to the CRF within five (5) working days of receipt to avoid future non-compliance.

Committee Observation

The Committee notes that the Office of the Auditor-General has confirmed this matter is resolved. However, the initial delay in transferring Kshs. 105.6 million was a direct contravention of **Regulation 81(1) and (2) of the PFM (County Governments) Regulations, 2015**, which requires all revenue to be paid into the County Revenue Fund promptly and within five working days.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

OTHER MATTER

Unresolved Prior Year Audit Matters

In the prior year's audit report, several issues were raised under the Report on the Revenue statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Receiver of Revenue in 2024/2025 revealed that the following three (3) matters remained unresolved as at 30 June, 2025.

S/No.	Audit Issue
1.	Unsupported Revenue on Cess, Hire of County Assets and Penalties, Fines and Forfeiture
2.	Failure to Remit Own Generated Receipts into County Revenue Fund
3.	Long Outstanding Revenue Arrears
4.	Failure to Prepare a Report on Waivers and Variations on Parking Fees Granted by the Receiver of Revenue

Management Response

Management acknowledges the auditor's observation regarding unresolved prior year audit matters. However, we wish to clarify that corrective measures were implemented and supporting documentation was provided during the audit. Specifically:

- **Unsupported Revenue on Cess, Hire of County Assets, and Penalties, Fines, and Forfeiture:** Reconciliations have been completed, and supporting schedules were provided to substantiate the revenue recorded in the management response in prior year 2023/2024 audit report.
- **Failure to Remit Own Generated Receipts into the County Revenue Fund:** Management has since ensured that all collected receipts are promptly remitted to the County Revenue Fund, as evidenced by bank deposit slips and monthly statements which were provided in the prior year 2023/2024 audit responses.
- **Long Outstanding Revenue Arrears:** A detailed schedule of arrears has been prepared, and collection efforts are ongoing through demand notices and enforcement actions.
- **Failure to Prepare a Report on Waivers and Variations on Parking Fees:** The County has not given any waivers and variations on parking fees during the year under review.

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Management, therefore, requests that these actions be reviewed and considered in assessing the implementation status of prior audit recommendations.

Committee Observation

The Committee observed that the County Executive has failed to comply with **Section 53 of the Public Audit Act, 2015** by not taking adequate action to resolve prior year audit recommendations. This persistent failure indicates a disregard for the oversight process and hinders the improvement of financial management and internal controls.

Committee Recommendations

The Committee Recommends that—

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

2. Inadequacies in the Functionalities of Integrated County Revenue Management System

Review of the contract agreement between Narok County Government and the service provider on the proposed supply, delivery, installation, testing, and commissioning of an integrated county revenue management system of March 2023 revealed that it was to address all functional areas in the administration and management of the County's own-source revenue. It was observed that the contract amount was paid in full amounting to Kshs.48,720,000 yet most of the functionalities agreed in the contract had not been implemented as highlighted below;

2.1 LAIFORMS Data Migration not Done

According to the terms of reference (TORs) of the revenue management system project, the system was expected to capture, migrate, and clean existing data from the LAIFORMS system into the new platform to ensure continuity and completeness of records. However, review of the current revenue system revealed that the LAIFORMS data was not migrated. Customers are instead being registered afresh as they present themselves at the offices. Therefore, the County Government lacks a consolidated database of all properties.

2.2 Non-Integration with the Hospital Management System

Clause (d) of the project scope required that the revenue management system be integrated with existing and future back-office systems, including the Hospital Management system. However, it was observed that the system was not integrated with the Hospital Management system. As a result, hospitals are independently operating their systems without linkage to the County's revenue management system.

2.3 Inability to Generate and Export Detailed Reports

The terms of reference required the system to generate reports, including financial reports showing collections per revenue stream, sub-county, ward, and community area, broken down by fee and charge codes as per the chart of accounts. Reports were also required to be downloadable in Excel, Word, or PDF formats. However, the system review revealed that users were unable to generate or export the customer/client master data, detailed receipts, and detailed invoice reports from the application side.

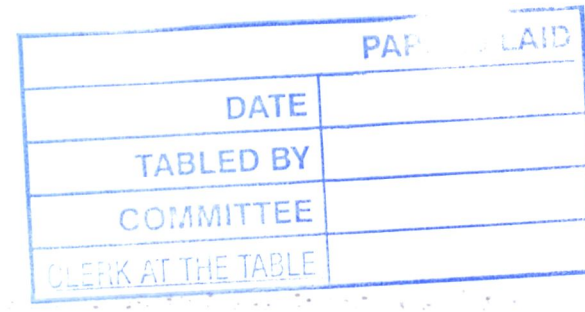
2.4 Payment of Commission on Collected Revenue to the Consultant

Review of records revealed that Narok County Government engages a consultant, for server hosting of the revenue system, 24/7 call center support, bandwidth payment, SMS platform, upgrade, and channeling costs. Under the agreement, the County remits 6.5% of the total monthly revenue processed and collected through the system as service fees. This arrangement places a recurring financial obligation on the County, hence an increase in operational costs.

In the circumstances, the value for money on the expenditure of Kshs.48,720,000 on the revenue collection system, could not be confirmed.

Management Responses

The County Government acknowledges the auditor's observations regarding the Integrated County Revenue Management System project implemented in March 2023. Below is the detailed management response to each issue raised:



2.1. LAIFORMS Data Migration

The County recognizes that full data migration from the LAIFORMS system was not completed during the initial implementation phase. This was due to the LAIFORMS system data incompatibility with the current system.

2.2 **Non-Integration with the Hospital Management System**

The management notes that integration with the Hospital Management System was not completed during Phase I of implementation. Technical engagement with the developer is ongoing to achieve full system integration and real-time consolidation of hospital revenue data. The integration module is scheduled for completion by the end of the 2025/26 financial year to enhance transparency and reporting.

2.3. Inability to Generate and Export Detailed Reports

While the system currently generates summary reports, exporting full transaction data is limited by system configuration settings intended to manage data size and security. The developer has been instructed to enhance reporting functionalities to allow users to download detailed reports in approved formats (Excel, Word, PDF) while maintaining data integrity. This enhancement is planned for the next six months, starting in January 2026.

2.4. Payment of Commission to the Consultant

The contractual arrangement with the consultant covers server hosting, support services, and system maintenance, with a 6.5% service fee on monthly collections. This approach ensured uninterrupted system operations and increased revenue mobilization during the initial deployment phase.

However, management acknowledges the sustainability concerns and has initiated plans to procure county-owned infrastructure to host the system internally. This will eliminate the recurring commission cost and further enhance value for money.

Mr. Chairman, I affirm my commitment to ensuring full functionality, integration, and cost-effectiveness of the Revenue Management System before the end of my term as governor. Currently, my team is developing a comprehensive implementation plan with specific milestones and monitoring indicators to address the identified gaps. We will be happy to share the implementation plan with the auditor and the Senate for review.

Committee Observations

1) The Committee observed that the integration of the County Revenue Management System (CRMS) with the Hospital Management System (HMS) is still ongoing and has not yet been fully operationalized.
2) The Committee noted that the County had not yet procured its own infrastructure to host the Integrated County Revenue Management System (ICRMS) and was still relying on infrastructure provided by the service provider.
3) Further, the Committee observes that the County paid Kshs. 48.7 million for a revenue management system that did not meet all its contractual obligations (data migration, hospital integration, detailed reporting). This raises serious concerns about value for money, contrary to the principles of public finance in **Article 201 of the Constitution**. Furthermore, the recurring 6.5% commission on gross revenue creates a long-term, potentially unsustainable financial obligation and a conflict of interest, as the consultant's revenue is tied to the system's throughput, not necessarily its integrity.

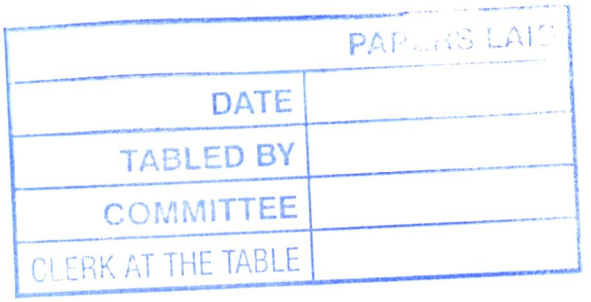
Committee Recommendations

1. **That the County Government expedite the integration of the County Revenue Management System with the Hospital Management System and provide a detailed timeline for completion, with quarterly progress reports submitted to the Senate Committee within 90 days from the date of adoption of this Report.**
2. **The County Executive should fast-track the procurement and installation of County-owned hosting infrastructure for the Integrated County Revenue Management System (ICRMS) in order to reduce reliance on third-party service providers.**
3. **The Auditor-General is requested to review the value for money of this system and its associated costs in the next audit.**

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

1. Use of an Outdated Valuation Roll

The statement of revenue and disbursements reflects an amount of Kshs.10,216,248 which relates to land rates. However, the balance is significantly below the budgeted amount of Kshs.122,376,084 resulting to a budget deficit of Kshs.112,159,836. Further, it was observed that the County is using an outdated valuation roll, which indicates that several properties within the County are not appearing on it, and certain high-value properties appear undervalued relative to prevailing market rates, resulting in a loss of revenue.



In addition, the property register, schedule of billed properties and valuation reports and billing schedules derived from the valuation roll were not provided for audit verification.

In the circumstances, Management has not put in place proper systems to improve the collection of land rates and achieve its revenue target.

Management Response

The County Government acknowledges the under collection of land rates relative to the budgeted figure, resulting in a revenue shortfall for the year. This variance is largely due to reliance on an outdated valuation roll, which excludes several developed and high-value properties and undervalues others. The Department of Urban and Physical Planning has already initiated the process of updating the valuation roll, which is currently at the procurement stage and is expected to be completed by the end of the 2025/2026 financial year. The updated roll will integrate GIS property mapping to ensure comprehensive identification and billing of all properties across the County.

In the interim, the Revenue Department is enhancing land rate collection by reconciling existing billing data, enforcing rate payment compliance, and recovering outstanding arrears to reduce the prevailing budget deficit. The property register, billing schedules, and related valuation records are being consolidated and verified from multiple data sources and will be availed to the Office of the Auditor-General for review upon completion of this exercise.

In addition, the County faces litigation from property owners disputing land rate assessments due to dilapidated infrastructure and perceived inequities, particularly among long-standing residents whose properties were previously subject only to nominal plot rents. The County Legal and Lands Departments are working jointly to resolve these disputes through legal and alternative dispute resolution mechanisms while improving essential infrastructure to restore taxpayer confidence.

The County also recognizes the legislative gap regarding the transition of old properties into the current valuation framework. To address this, the County, in consultation with the County Assembly and the Department of Lands, is developing appropriate legal provisions to guide fair inclusion of such properties in the rating system. Public sensitization forums are also being planned to enhance understanding of rate objectives and foster voluntary compliance.

Management remains committed to improving revenue mobilization, completing the valuation roll update within the set timelines, and strengthening systems to ensure full compliance and transparency in future audits.

Committee Observation

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

Committee Recommendation

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

2. Understated and Unreported Administration

The statement of revenue and disbursements reflects revenue of Kshs.30,517,799 in respect to administration control fees and charges. However, it was observed that out of the four (4) revenue streams under administration control fees and charges, the Receiver of Revenue reported to have collected revenue from only two streams including weights and measures and liquor licenses. No explanation was provided as to why the County was not able to meet its revenue budget of Kshs.45,461,915, and why two (2) other streams (Nursery school fees and Registration of private schools and betting levy) of revenue did not generate any income during the year.

In the circumstances, the accuracy and completeness of the administration control fees and charges revenue amount of Kshs.30,517,799 could not be confirmed.

Management Response

The observation by the Auditor-General on Administration Control Fees and Charges is acknowledged. The reported revenue amounting to Kshs.30,517,799 for the financial year under review comprises collections from two active revenue streams, namely Liquor Licenses, Weights and Measures, both of which were duly collected, recorded, and banked in accordance with the County Treasury procedures.

The management acknowledges that no revenue was realized from the Betting Levy and Registration of Nursery and Private Schools streams during the period under review. The reasons for non-performance under these two categories are outlined as follows:

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Betting Levy: The County, particularly the Narok and Kilgoris municipalities, currently lacks operational casinos or other gaming establishments subject to betting and gaming levies. Consequently, there were no taxable activities or entities from which revenue could be derived during the year.

Registration of Nursery and Private Schools: Pursuant to the objectives outlined in the Narok County Integrated Development Plan (CIDP) 2023–2027, the County Executive resolved to exempt nursery and private schools from registration fees to promote access to education and mitigate the effects of low literacy levels in the County. Supporting documentation for this policy directive is available for audit verification.

With respect to the variance between the approved revenue target of Kshs.45,461,915 and the actual collection of Kshs.30,517,799, the shortfall of Kshs.14,944,116 arose primarily from the insecurity that has been experienced in several parts of the County during the year under review coupled with reduced trading and licensing activities within the County due to prevailing economic constraints.

Going forward, the County Government has instituted measures aimed at improving revenue mobilization and reporting accuracy, which include:

•Reviewing revenue projections to ensure they are based on realistic and evidence-based economic assessments.

•Identifying and developing new, sustainable sources of revenue to diversify the County's income base.

•Enhancing compliance, monitoring, and enforcement mechanisms for existing revenue streams.

The County Government remains committed to maintaining transparency, accountability, and accuracy in revenue reporting and continues to strengthen internal controls to ensure completeness of financial statements in subsequent financial years.

Committee Observation

The Committee notes that the Office of the Auditor-General has confirmed the explanation and supporting documentation regarding the non-collection of betting levy and school registration fees are valid.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3. Ineffective Internal Audit Function and Audit Committee

During the period under review, it was observed that the Internal Audit function did not conduct audit assignments, and no findings were highlighted. In addition, there was no evidence that the issues raised were acted upon by the Management. This is contrary to Regulation 165(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the Accounting Officer of the concerned entity shall be responsible for the implementation of the recommendations made in the audit reports and shall develop responses and an action plan which they shall submit to the chairperson of the Audit Committee within fourteen days. This is contrary to Regulation 165(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the Accounting Officer of the concerned entity shall be responsible for the implementation of the recommendations made in the audit reports and shall develop responses and an action plan which they shall submit to the chairperson of the Audit Committee within fourteen days.

Further, Management did not provide evidence that an internal auditing committee had been established and was active during the year under review.

In the circumstances, the Receiver of Revenue did not benefit from the oversight functions of the internal audit function and the audit committee.

Management Response

During the year under review, the Internal Audit Department conducted audits for the Revenue Section of the Narok County Referral Hospital and Sub-County Hospitals, as well as a review of other revenue collection points. Copies of the internal audit reports and accompanying management responses were submitted to the Audit Committee and the Office of the County Secretary.

Following each internal audit, management developed detailed action plans addressing the audit recommendations. These action plans, together with responses, were formally submitted to the Chairperson of the Audit Committee within the prescribed fourteen (14) days in line with Regulation 165(1) of the Public Finance Management (County Governments) Regulations, 2015. Evidence of submission (transmittal letters and committee acknowledgments) is available for review.

Furthermore, the County established an Internal Audit Committee comprising of qualified members in accordance with PFM Regulations. The Committee held meetings during the year to review internal audit reports and monitor the implementation of audit recommendations. Minutes of these meetings and implementation progress reports are available for verification. (Appendix 4 – Appointment letter, Minutes)

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Management remains committed to strengthening the internal audit function by ensuring regular audit coverage, timely follow-up of recommendations, and effective oversight through an active Audit Committee.

Committee Observation

The Committee observed that the failure of the internal audit function to conduct any assignments related to the Receiver of Revenue during the year and the lack of evidence that management acted on any findings is a direct contravention of **Regulation 165(1) of the PFM (County Governments) Regulations, 2015**. This renders the internal control and risk management framework ineffective and exposes revenue collection to potential fraud and mismanagement without independent oversight.

Committee Recommendation

The entity should immediately operationalize the Internal Audit function to undertake regular and comprehensive audit assignments. The Head of Internal Audit must submit quarterly reports on audit activities, findings, and implementation status to the Accounting Officer and the Audit Committee, with copies forwarded to the Office of the Auditor-General within ninety (90) days of the adoption of this report.

4. County Overreliance on the Service Providers

Review of records and revenue collection systems revealed that the County Government relies heavily on the service provider to manage and administer its core revenue collection systems. Key functions such as system maintenance, data management, user support, and security monitoring are almost entirely outsourced, with limited internal capacity for oversight or continuity in the event of service provider failure.

It was also observed that the County doesn't have mechanisms to ensure the completeness and accuracy of the revenue collected

In the circumstances, the Over-reliance on the service provider exposes the County Government to risks of revenue loss, manipulation, or service disruption in the event of provider failure or non-performance.

Management Response

The county government has its own employees who manages the automated revenue collection System as system Administrators with key roles of managing user accounts, system access, system monitoring and providing technical support to users. The County System Admin is also able to configure Finance Act services and charges in the system. He is also able to access system reports. For huge data. Plans are underway to roll out an advance version of the system which avails the huge reports without requesting from service providers.

Other roles like server management, system backups and firewalls are managed by the service provider as per the Service Level Agreement.

Committee Observations

1) The Committee observed that the County Government relies heavily on a service provider such as Caps and Jambo pay for the management and administration of its core revenue collection systems.
2) The Committee further observed that the County Government has not established adequate internal mechanisms to independently verify the integrity of revenue collected through the system. This creates a weak internal control environment and limits the County's ability to provide assurance on the reliability of revenue data
3) The Committee further notes that this arrangement is inconsistent with the principles of sound public financial management and internal control as envisaged under **Sections 149 and 153 of the Public Finance Management Act, 2012**, which place responsibility on accounting officers to ensure effective financial management systems, internal controls, and proper management of public resources

Committee Recommendations

1. **The County Executive develops and implements an internal capacity-building plan to enhance oversight and technical expertise in revenue collection systems, including the establishment of in-house redundancies for key functions such as data management and security monitoring and provide status report within 90 days of the adoption of this Report,**
2. **The County Assembly enact regulations under Section 116 of the CGA to mandate periodic performance reviews of outsourced service providers, including clauses for penalties in cases of non-performance or failure, and ensure that all future procurement of such services adheres to the Public Procurement and Asset Disposal Act, 2015.**

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5. Weaknesses in Invoicing and Receipting of Transactions from the Integrated County Revenue Management System

Review of the Narok County customers, invoices, and receipts data from the Integrated County Revenue Management System revealed the following weaknesses;

5.1 Duplicate Accounts in the County Revenue Management System

Review of the registered customer data in the Revenue Management System (RMS) revealed that as at 30 September, 2025, a total of nine thousand one hundred and four (9,104) clients had been registered. However, analysis of the customer database revealed the existence of ninety-nine (99) duplicate accounts.

Further, it was observed that despite the document number being set as the client's National Identity Card (ID) number, one hundred and twenty-one (121) customers used company number and PIN certificate instead of their National ID. In contrast, one thousand eight hundred and ninety-four (1,894) customers used phone numbers as ID numbers, and two (2) customers used Alien ID instead of ID numbers as the document number. The duplication and use of irregular document numbers indicate weaknesses in the system's data validation and control mechanisms, which may result in inaccurate reporting and challenges in tracking customer transactions and payment histories, leading to revenue leakages.

Management response

The management acknowledges the observation by the auditor General and wishes to make clarifications on two issues as identified. On the issue of revealed ninety-nine (99) duplicate accounts, occasionally, the county receives requests from customer(s) who owns different businesses across the county or properties which are billed separately thereby captured as duplicate by the system.

On issue number two, the system allows entries where the customer is either an individual, body cooperate or a holder of an alien identity card. Business or property owners can either be individuals, partnerships, body corporates or holders of alien identity cards. Entries are made on request when the customer appears at the service desk and give his/her identification details. Sometimes the customers are represented by agents and or other family members who may present different identification details on request.

Committee Observation

The Committee observed that the numerous weaknesses in the revenue management system duplicate accounts, non-sequential numbering, invoices greater than receipts, receipts without invoices, and the inability to map customer data to invoices constitute a fundamental failure of

internal controls over a core financial process. These weaknesses violate the principles of accuracy, completeness, and a reliable audit trail required by **Section 12(1)(e) of the PFMA, 2012** and increase the risk of significant revenue leakage and misstatement of financial records.

Committee Recommendations

1. **The accounting officer must ensure the immediate recovery of the uncollected revenue (Kshs. 14 million) and provide evidence to the Auditor-General and Senate within 90 days.**
2. **The management undertakes a comprehensive review and upgrade of the system's data validation and control mechanisms to ensure mandatory use of National ID numbers for customer identification, aligning with best practices under the Public Sector Accounting Standards Board (PSASB) guidelines, and submits evidence of implementation to the Office of the Auditor General within ninety (90) days of the adoption of this report;**
3. **The Institute of Certified Public Accountants of Kenya (ICPAK) initiates disciplinary actions against any certified professionals involved in overseeing the system's financial controls for professional negligence, pursuant to Sections 32 and 33 of the Accountants Act (CAP 531), and provide status report to the Senate within (90) days of the adoption of this report.**
4. **The Auditor-General to conduct a follow-up audit on the entity's internal control framework for revenue in the next financial year.**

5.2 Non-Sequential Numbering of Invoices and Receipts

Review of the invoices and receipts data revealed that they were not sequentially numbered, and there was no standardized numbering convention applied. This weakens the audit trail and makes it difficult to track or verify the completeness of transactions recorded in the County Revenue Management System.

Management Response

Narok County Government has a strong internal control over invoicing and receipting that ensures that the system auto generate unique receipt ID for each transaction creating a common unique identifier across the entire revenue cycle. Different gadgets/POS are used across Narok County with similar configurations settings that makes it impossible for any system leakage. We

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appreciate the observation by the office of the auditor general on the need to strengthen ease of tracking or verifying the completeness of transaction.

Committee Observation

The Committee observed that a review of invoices and receipts data revealed that the documents were not sequentially numbered and that there was no standardized numbering convention applied.

Committee Recommendations

1. **The Committee recommends that the County Executive Committee Member (CECM) responsible for Finance ensures that all invoices and receipts generated within the County Revenue Management System are assigned automatically generated sequential numbers under a standardized numbering convention.**
2. **The Office of the Auditor General to monitor the matter in the subsequent audit cycle.**

5.3 Invoice Amount greater than Receipted Amount

Review of invoices against receipts disclosed that eight hundred and seventy-nine (879) invoices had receipts of lower value than the invoiced amounts, resulting in uncollected revenue totaling Kshs.14,097,448. This points to weaknesses in the enforcement of collections and reconciliation between billing and receipting.

Management Response.

This purely related to the accrual concept where revenue is recognized as earned but not necessarily when received or actually changes hand. Its majorly experienced in our land rates which accrue annually and the system automatically generate invoices as due but the customer ends up making a partial payment to reduce the burden. The uncollected revenue automatically becomes arrears.

Committee Observation

The Committee observed that a review of invoices against receipts revealed discrepancies in 879 invoices, where the receipts were of lower value than the invoiced amounts, leading to uncollected revenue amounting to Kshs.14,097,448.

Committee Recommendation

The Accounting Officer ensures the immediate recovery of the uncollected revenue amounting to Kshs.14,097,448 and provides evidence of such recovery to the Auditor General and the Senate within 90 days from the date of adoption of this Report.

5.4 Receipts with no Invoices

Further, it was observed that seven (7) payment transactions recorded in the system without corresponding invoices. This implies that the system allows the posting of payments without an associated invoice number, compromising the accuracy and completeness of revenue records and increasing the risk of misstatement or potential revenue loss.

Management Response.

Following the auditor's observation, the management embarked on a detailed fact-finding exercise on the mentioned seven (7) transactions and the amount of money involved. It emerged that the total collection from the seven transaction is kshs. 2,500 (received from barter market fees (2) of kshs. 100, produce cess of kshs. 50 and rent fees of kshs. 2300, parking Kshs.50, sheep and goat cess of kshs. 50). After a critical analysis of our system, the amount received and not invoiced are collection from arrears redeemed.

Committee Observations

1) The Committee noted from the audit findings that, although the amount involved may not be material, the issue raised points to a weakness in the internal control framework.
2) he Committee further noted that the Accounting Officer failed to provide a satisfactory explanation regarding the remedial actions undertaken to rectify the identified shortcomings, contrary to the provisions of Section 68 of the Public Finance Management Act, 2012, which mandates robust internal controls and prompt corrective measures.

Committee Recommendation

1. **The Accounting Officer submits, within thirty (30) days of the adoption of this Report, a detailed report to the Senate outlining the specific measures implemented to strengthen the internal controls, including timelines for full remediation and preventive safeguards against recurrence.**
2. **The Auditor-General conducts a follow-up audit on the entity's internal control framework within the next financial year to verify compliance and effectiveness of the corrective actions, and reports the findings to the Senate.**

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5.5 Inability to Map the Customer's Data with the Invoices Raised

Review of the revenue management system revealed that customer data lacked unique identifiers to link registered customers to the invoices raised. Specifically, while customer records were captured using identification (ID) numbers, invoices were generated using bill numbers that were not linked to any customer ID. As a result, it was not possible to confirm whether all registered customers had been invoiced, thereby compromising the completeness of revenue billing and the accuracy of receivables tracking.

In the circumstances, the weaknesses in the internal controls related to the system increase the risk of revenue leakage, fraud, misstatement of financial records, and inability to enforce accountability over the County's revenue collections.

Management Response

Narok County Government will endeavor to strengthen internal controls over invoicing and receipting by ensuring that the system autogenerate unique receipt ID for each transaction creating a common unique identifier across the entire revenue cycle.

All invoices issued will be tracked through reconciliation to ensure prompt payments. The county will immediately enforce the capture of customer ID as a mandatory field on all invoices and establish a reliable mapping between the customer master file and the invoice register.

Committee Observations

The Committee observed that:

1) The revenue management system lacked unique identifiers to effectively link registered customers to the invoices raised, thereby hindering the verification of billing completeness.
2) While customer records were captured using identification (ID) numbers, invoices were generated solely based on bill numbers without any corresponding linkage to customer IDs, resulting in an inability to confirm whether all registered customers had been invoiced.

Committee Recommendations

The Committee recommends that:

1. **The Accounting Officer responsible for the revenue management system implements unique customer identifiers within the system to ensure seamless linkage between**

customer records and invoices, and provides evidence of this implementation to the Auditor-General within 90 days from the date of adoption of this Report.

2. **The entity upgrades its revenue management system to incorporate automated reconciliation features compliant with the Integrated Financial Management Information System (IFMIS) standards, as prescribed under Section 12 of the Public Finance Management (County Governments) Regulations, 2015, to enhance accuracy and prevent future discrepancies.**

6. Weaknesses in Kenya Airports Parking Services system (Park Fees)

Review of Narok County Kenya Airport's Parking Services (KAPS) system transactional collection data revealed the following weaknesses;

6.1 Use of Cash as a Mode of Payment

Review of the system processes and system interrogation, revealed that revenue officers stationed at the park gates are permitted to receive cash payments from clients for services rendered, amounting to Kshs.26,136,500 and USD 608,550. Allowing cash transactions in revenue collection exposes the County Government to a heightened risk of revenue loss through theft, fraud, or misappropriation. Moreover, cash payments do not provide a reliable audit trail, thereby limiting the ability to independently verify the completeness and accuracy of revenue collected.

Management Response

The KAPS revenue system as interrogated by the auditor reveal that the system permits cash payment amounting to Kshs.26,136,500 and USD 608,550 respectively. The revenue system allows four modes of payment which includes cards payments, mobile money, bank transfers and cash payments. This was deliberately introduced to give customers various options for payments for efficient access of services within the national game reserve. All these payments modes are captured in the system and are verifiable real-time through various compliance applications both in KAPS offices and in the county government. The revenue system provides a module for reconciliation for all modes of payment including cash and produces a daily summary report for all monies collected in the KAPS system. Therefore, no possibility for loss or fraud in payment of cash.

Committee Observations

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1) Cash Payments: The continued acceptance of cash (Kshs. 26 million and USD 608,550) at park gates exposes the county to a high risk of revenue leakage and fraud, weakening the internal control environment. This practice undermines the integrity of the automated system.
2) Ungazetted Services: The mapping and collection of Kshs. 5.1 million from services not gazetted in the Narok County Finance Act, 2023 is a serious breach of Section 158 of the PFMA, 2012 and Article 210 of the Constitution, which require all taxes and fees to be imposed only as provided by legislation. This collection is potentially illegal.
3) Incorrect Charging: The overcharging and undercharging of clients indicate a failure to align system rates with the Finance Act, exposing the county to revenue loss, reputational damage, and potential legal liability.

Committee Recommendations

1. **The accounting officer must immediately cease the acceptance of cash payments at park gates and implement full electronic payment systems to enhance transparency and ensure real-time reconciliation.**
2. **The County Executive Committee Member for Finance must ensure that all services configured in the Revenue Management System are strictly aligned with the County Finance Act. No new revenue streams shall be activated without prior approval through the Act and proper gazettement.**
3. **The County Government must update and realign the KAPS system to fully incorporate all gazetted rates and implement automated controls to prevent billing discrepancies, within 90 days.**

6.2 Services not in the County Finance Act, 2023 but Mapped in the KAPS System

Review of the Kenya Airports Parking Services (KAPS) revenue management system revealed that twelve (12) services had been mapped in the system despite not being gazetted in the County Finance Act, 2023. Further, review established that three (3) of these services were actively offered, generating a total collection of Kshs.5,113,000.

Management Response

The County Government strictly charges fees as stipulated in the county Finance Act 2023. The identified revenue services as mapped in the KAPS system are provided for under First and Tenth Schedule of the Narok County Finance Act 2023. These include; Commercial vehicles stationed in the park charged Kshs. 50,000, Filming crew between 11-20 persons charged Kshs.

5,000,000, General penalties (damage of county properties) charged on assessment and camping sites surveying charged Kshs. 5,000. All these charges are well mapped in the Act

Committee Observations

1) The Committee observed that the mapping of twelve (12) services in the KAPS revenue management system without gazettement in the County Finance Act, 2023, constitutes a breach of the legal framework governing county revenue collection, as stipulated under Section 158 of the Public Finance Management Act, 2012, and Article 209(4) of the Constitution of Kenya, 2010, which require all fees and charges to be lawfully authorized.
2) The Committee further observed that the active offering of three (3) of these ungazetted services, leading to the collection of Kshs.5,113,000, exposes the county government to potential legal risks, including challenges on the legitimacy of the revenue collected, and undermines the principles of transparency and accountability in public financial management.
3) The Committee noted with concern that this irregularity may indicate systemic weaknesses in the revenue management processes, potentially resulting in revenue leakages or unauthorized collections elsewhere in the county's operations.

Committee Recommendations

1. **The Committee recommends that the County Executive Committee Member responsible for Finance should ensure that all services configured within the Revenue Management System are strictly aligned with the provisions of the County Finance Act and any other applicable legal instruments governing County revenue collection.**
2. **The County Government should institute adequate system governance controls to ensure that no new revenue streams are configured or activated in the Revenue Management System without prior approval through the County Finance Act and proper gazettement.**

6.3 Services Incorrectly Charged to Customers in the Low Season

Review of transactions within the KAPS system indicated that fifty-four (54) clients were overcharged for adult non-resident – park entry at a rate of USD 200 instead of the gazetted low-season rate of USD 100, resulting in overcharges totaling USD 5,750. Conversely, forty-seven (47) clients were undercharged for park entry fees by a total of USD 8,000.

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Failure to align services and applicable rates in the revenue management system with those gazetted in the County Finance Act exposes the County Government to the risk of revenue loss, unfair billing, and non-compliance with legal requirements.

In the circumstances, the effectiveness of internal control in relation to management of revenue collection could not be confirmed

Management Response

The 54 non-residents clients who were identified by the auditor as overcharged, booked and paid for the park entry fees during high season and showed up in the game reserve during the low season and the park fees paid during the high season was not refundable. The 47 clients who were picked by the auditor as under-charged were erroneously recorded as non-residents in the system but when reached the point of entry they produced identity cards as East African residents and hence were charged at resident rates. The KAPS revenue system recorded the names, identity cards numbers, ages and nationality of every visitor against the park entry fees made for the visit. This therefore gives confidence that the data in the system versus the amount paid gives accuracy of park entry data.

Committee Observations

1) The Committee noted that forty-seven (47) clients were undercharged for park entry fees, leading to a total revenue shortfall of USD 8,000 to the County Government.
2) The Committee further observed that these anomalies arose from a failure to align the services and applicable rates configured in the KAPS system with those duly gazetted in the County Finance Act, thereby exposing the County Government to significant risks, including potential revenue losses, unfair billing practices that undermine public trust, and non-compliance with statutory requirements governing revenue collection.

Committee Recommendation

The County Government updates and realign the KAPS revenue management system to fully incorporate all gazetted rates and services as stipulated in the County Finance Act, and implement automated controls to prevent future discrepancies in billing within ninety (90) days of the adoption of this Report,

7. Inconsistencies in Application and Mapping of The Tariff Prices and Names of the Finance Act into the Revenue Collection Systems.

Review of the revenue streams tariffs in the County Finance Act, 2023 against the revenue management system streams revealed the following anomalies;

7.1 Inability to Map the Revenue Streams in the Revenue Management System and with the Finance Act Streams.

Review of the County revenue management system data revealed that the revenue streams provided for in the County Finance Act, 2023, had not been properly mapped to the integrated revenue collection system. As a result, it was not possible to confirm whether the correct applicable rates were consistently applied to invoices raised and payments received across all revenue streams.

Management Response

We observed the concerns raised by the auditor on certain streams in the finance Act 2023 NOT included in the revenue system. However, all revenue streams in the finance act are included in the revenue system and are charged accordingly. The revenue department continuously carry out periodic assessment on the level of performance on each system.

Committee Observations

1. The failure to properly map all revenue streams from the Finance Act into the revenue system and the pricing inconsistencies in hospital services represent a fundamental failure in revenue system governance. This directly contravenes the requirement that all fees and charges be levied as per legislation (Article 210, CoK).

2. The collection of revenue for services (233 at the hospital) not in the Finance Act, and the incorrect pricing (over/under charging) of medical services (totaling over Kshs. 5 million), undermines the accuracy and legality of reported revenue and exposes the county to significant legal and financial risks.

Committee Recommendations

1. **The Accounting Officer of the County Treasury, in collaboration with the relevant departmental heads, undertakes an immediate comprehensive mapping and integration of all revenue streams stipulated in the County Finance Act, 2023, into the integrated revenue collection system, ensuring full alignment with applicable rates, and submits a**

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verified status report to the Office of the Auditor-General and the Senate within 90 days from the date of adoption of this Report;

2. **The National Treasury provides technical support and capacity building to the County on the optimization of integrated financial management systems, including training on revenue mapping and system controls, to prevent recurrence of such irregularities, with implementation to commence within ninety (90) days of the adoption of this Report; and**
3. **The Office of the Auditor-General progressively reviews and reports on the effectiveness of the County's revenue management systems in subsequent financial years**

7.2 Services in the Hospital Management System missing in the Finance Act Medical Services Schedule

An analysis of the Hospital Management System revealed that two hundred thirty-three (233) services offered at Narok Referral Hospital had not been gazette in the County's Finance Act. In the circumstances, these services were being billed and collected outside the approved legal framework.

Management Response

The management noted with concern issues raised by the auditor General on the missing items in the finance act which specified different billing items being charged in services offered in the county hospitals. The management still maintains that all services listed in the finance act 2023 are configured into the Hospital management system and are charged against services offered.

The issue of 233 services construed not to be listed in the Act, are services and drugs which are listed in broad categories/classification while the auditor specified details of services and medicines which are covered in the act differently.

Committee Observation

Committee Recommendations

7.3 Inconsistency in the Pricing of Medical Services Offered in Hospitals against the Finance Act Medical Services Schedule 2023

Review of records revealed some inconsistencies in the pricing of services offered at referral hospitals. Charges for the same service varied across facilities, with some instances of overpricing and underpricing when compared to the gazetted rates in the Finance Act, 2023. This resulted in the overpricing of one hundred and fifteen (115) services by an amount of Kshs.5,088,205 and underpricing of eighty-two (82) services by Kshs. 71,974, indicating non-compliance with the gazetted revenue schedule.

In the circumstances, the weaknesses undermine the accuracy and completeness of revenue records, distort reported revenue performance and exposes the County Government to risks of revenue leakage, misapplication of rates and unauthorized collections.

Management Response

The Auditor observed inconsistency in pricing of services offered in the Referral Hospital which accumulated to a total of Kshs 5,088,205 in the year under review. The Management maintained that every customer who visits the county referral hospital for medication pays for the service and issued with a system generated receipt. In addition, the system has guaranteed mechanism which cannot allow human manipulation, therefore all transactions in the hospitals are in line with the finance act charges.

Committee Observation

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

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

8. Variance Between the Reported, System and Bank Statement Revenue Amounts

Review of system-generated revenue reports, bank statements, and revenue statements for the Narok County Government revealed discrepancies between the figures reported in the three sources. The analysis indicated that amounts captured in the revenue statements did not agree with those in the revenue system and bank records for instance, revenue reported under Hospital Fees was understated by Kshs.21,556,144 when compared to the actual receipts reflected in the bank statement. These inconsistencies indicate weaknesses in the reconciliation and reporting process of revenue data between the departments responsible for system management, banking, and financial reporting.

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In the circumstances, failure to reconcile and align figures between the revenue management system, bank statements, and revenue statements result in inaccurate financial reporting and misstatement of County revenue.

Management Response

The auditor's observation on variance between financial statements and bank statements in regard to Hospital fees for Ksh. 21,556.144 was true. The county Government constructed several new facilities which a number of them are already in operation. However, the new facilities are yet to be integrated with the revenue management systems and therefore the amounts are deposited directed to the Sub-Counties Hospital Revenue Collections Accounts. Bank reconciliations and ledgers for hospital fees were provided for audit review.

Committee Observation

The Committee observes that the discrepancy of Kshs. 21.5 million between reported hospital fees and bank statements indicates a critical failure in the reconciliation and financial reporting process, as required by **Section 12(1)(e) of the PFMA, 2012**. The explanation that new facilities are not integrated into the revenue system confirms that the reported revenue figures are incomplete and inaccurate. This compromises the integrity of the county's financial statements and prevents effective oversight.

Committee Recommendation

The County Executive must immediately integrate all operational health facilities into the central revenue management system to ensure complete and accurate recording of all collections. A status report on the integration must be provided to the Auditor-General.

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

Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.60,871,911 as disclosed in Note 16 to the financial statements. However, review of the cashbook provided revealed that as at the end of the financial year, the cash book balance was Kshs.59,884,372 resulting to an unexplained variance of Kshs.987,539.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.60,871,911 could not be confirmed.

Management Response

The management provided the certificate of bank balance; bank statement extracts and bank reconciliation statement to support the closing balance of Kshs.60,871,911.
There is no variance since Kshs.987,539 represents unspent balances swiped back to CRF at the end of the period which has been properly disclosed in the reconciliation. In addition, attached to this response is a letter showing refunds of unspent balances

Committee Observation

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

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects a final receipt budget and actual on comparable basis of Kshs.17,537,524,596 and Kshs.15,900,130,219 respectively resulting to under-funding of Kshs.1,637,394,377 or 9% of the budget.

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

Management Response

We have duly noted the auditor's comments regarding budgetary control and performance. The difference between the budgeted and actual amounts can be attributed to a 9% or Kshs.1,637,394,377 shortfall in our internally generated revenue and certain anticipated grants that were not received as at end of the financial year.

The under expenditure of Kshs.1,698,266,288 or 10% of the budget was occasioned by the budget not being fully funded caused by the shortfall in our internally generated revenue and the anticipated grants that were not received thus the planned activities could not be undertaken.

Committee Observations

The Committee observes that the under-utilization of appropriated funds (10% or Kshs. 1.69 billion) was caused by:

1. Delays in exchequer releases by the National Treasury, which is inconsistent with the timely disbursement required by Article 219 of the Constitution and Section 17(6) of the PFMA, 2012.
2. The county's failure to meet its own-source revenue targets, indicating a need for improved revenue administration as required by fiscal responsibility principles.

Committee Recommendations

The Committee therefore recommends that:

1. **the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and**
2. **the County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**

CHAPTER ELEVEN

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

The Governor of Meru County Executive Hon. Isaac Mutuma M'Ethingia appeared before the Committee on Monday, 2nd February, 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive for the Financial Year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

Basis of Qualified Opinion

1.0 Payment of Undisclosed Legal Fees

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs. 1,585,636,068 which includes other operating expenses amount of Kshs. 310,276,980. The latter amount further, includes legal payments totaling Kshs. 140,507,214 which includes an amount of Kshs. 100,000,000 in respect of part payment of a contingent liability of Kshs. 756,757,420 disclosed in previous audit report. However, Management did not deduct the withholding tax from the advocate as required by law.

Further, payment for other legal cases totaling Kshs. 40,507,214 were not disclosed in the financial records. These cases were not budged for; therefore, no explanation has been provided on how unapproved expenditure was budgeted and paid.

In addition, details of the court cases were not provided with any supporting documents, including details such as fee requisitions indicating amount, taxed amount, the amount paid,

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unpaid balances and status of the cases. The County Executive has been sued and so many cases are in court which have remained undisclosed in their financial records.

In the circumstances, the accuracy and regularity of the legal fees amount of Kshs. 140,507,214 paid could not be confirmed.

Management response

Management stated that during the period under review, the County paid Kshs. 100,000,000 as part settlement of a contingent liability amounting to Kshs. 756,757,420 which had been disclosed in a previous audit report. The liability arose from a decretal sum issued by the court in a case between the County Government and Mico Leopard Hotel, which was determined against the County. Management explained that since the case was not contractual in nature, the amount did not attract withholding tax.

Management further stated that all amounts paid on legal cases, including Kshs. 40,507,214, were disclosed under Use of Goods and Services within Other Operating Expenses. A supporting ledger for Other Operating Expenses, provided during the audit, included the said amount.

Management maintained that there was an approved budget under the Department of Public Service and Legal Administration which was used to pay the legal fees.

In addition, Management indicated that supporting documentation for the payments, including payment vouchers, requisitions, taxed amounts, unpaid balances, and status of the cases, was available for audit review.

Committee Observations

The Committee observed that:

1) The County Executive made payments totalling Kshs. 40,507,214 for legal cases that were not disclosed as contingent liabilities in the financial statements. This omission is a contravention of Paragraph 46 of IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets, which requires an entity to disclose a brief description of the nature of contingent liabilities and an estimate of their financial effect.
2) The payment of Kshs. 140,507,214 was made against budget lines that were either unapproved or non-existent. This action violates Section 149(2)(a) of the Public Finance Management Act, 2012, which mandates an accounting officer to ensure that all expenditure made by the entity is lawful and authorised, and Article 201(d) of the Constitution which requires that public money be used in a prudent and responsible

Committee Recommendations

The Committee recommends that;

1) **The Ethics and Anti-Corruption Commission (EACC) conduct an investigation into the Kshs 140,507,214 paid against non-existent budget lines to identify the beneficiaries and recover any embezzled funds. The Commission should also investigate the non-disclosure of Kshs 40,507,214 in legal liabilities as possible falsification of public records, recommend prosecution of any culpable officer(s), and submit a status report to the Senate and Auditor-General within 90 days of adoption of this report.**
2) **The County Governor undertakes administrative action against the responsible officer(s) who failed to prepare and submit accurate financial statements at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Senate and Auditor General within 90 days of the adoption of this report.**
3) **The County Executive Committee Member (CECM) for Finance must, in future budgets, make a provision for contingent liabilities in respect of legal fees, pursuant to Regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015, which requires the inclusion of a statement of fiscal risks, including a list of contingent liabilities, in the County Fiscal Strategy Paper.**

2.0 Missing Information on Level 1, 2 and 3 Hospitals

The statement of financial performance reflects transfers to other Government entities amount of Kshs. 766,771,028 which includes others (FIF) amount of Kshs. 108,648,141 and transfers to other County Government entities amount of Kshs. 529,412,779 as disclosed in Note 11 to the financial statements. The transfers amount of Kshs. 529,412,779 further includes Donor (DANIDA) funds amount of Kshs. 29,495,006 also transferred to primary healthcare facilities.

However, Authority to Incur Expenditure (AIEs), payment vouchers, stores receipts vouchers (S13) and project implementation status reports were not provided for audit review. In addition, various medical services, key personnel and equipment in the Hospital on key services required in level 1, 2 and 3 Hospital, the staffing levels, the equipment at the facilities as prescribed by the Kenya Quality Model for Health Policy Guidelines, bank reconciliations and reimbursements amount on claims from Social Health Authority (SHA) and Social Health Insurance (SHI) were not provided for audit.

In the circumstances, the accuracy and completeness of transfers to other Government entities amount of Kshs. 138,143,147 could not be confirmed.

Management response

Management stated that during the period under review, the County, through the Department of Health, transferred Kshs. 29,495,000 as DANIDA funds to various health facilities within the

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County and reported Kshs. 108,648,141 as Facility Improvement Fund (FIF) for Level 3 facilities.

Management indicated that details relating to expenditure incurred by the respective facilities, including Authorities to Incur Expenditure, payment vouchers, and store records, were provided for audit review.

Further, Management stated that information relating to staffing levels in Level 1, 2, and 3 health facilities was provided for audit review

Additionally, Management indicated that data relating to Social Health Authority and Social Health Insurance reimbursements, including claims made to hospitals, was provided for review.

Committee Observations

The Committee observed that management failed to provide key accounting documents to the auditors, including Authorities to Incur Expenditure (AIEs), payment vouchers, and stores receipt vouchers (S13) for the transfers to health facilities. This failure is a breach of Section 62(1)(b) and (c) of the Public Audit Act, 2015 (Cap. 412B), which creates an offence for a public officer to fail, without reasonable excuse, to provide documents required by the Auditor-General.

Committee Recommendations

The Committee recommends that;

1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Senate and Auditor General within 90 days from the adoption of this report.**
2) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

3.0 Unreconciled Long Outstanding Refund on Borrowing

The statement of financial position and as disclosed in Note 15 to the financial statements reflects receivables from non-exchange transactions balance of Kshs. 1,650,794,342 which excluded borrowings by Meru Micro-finance Corporation balance of Kshs. 1,400,000. Review of records revealed that the amount was borrowed from the County Executive to pay salaries for the Corporation employees in March, 2018. However, no satisfactory explanation was given why the debt was not settled by 30 June, 2025. This was contrary to Section 201(d) of the

Constitution of Kenya, 2010 which provides that public money shall be used in a prudent and responsible way.

In the circumstances, the accuracy and regularity of the long outstanding debtors balance of Kshs. 1,400,000 could not be confirmed.

Management Response

Management stated that the County correctly reported Kshs. 1,650,794,322 as receivables from non-exchange transactions.

Management further stated that a review of records held by both the County Executive and Meru Micro Finance Corporation showed that no amount of Kshs. 1,400,000 was borrowed by the Corporation to pay March 2018 salaries as reported.

Management indicated that bank statements for both entities for the months of March and April 2018 did not reflect such a transaction, thereby demonstrating that the alleged borrowing did not take place.

Management therefore maintained that the accuracy and regularity of receivables from non-exchange transactions was not in doubt.

Committee Observations

The Committee observed that:

1. An amount of Kshs. 1,400,000 was erroneously classified in the financial statements, creating a misrepresentation of the financial position. This contravenes Regulation 41 of the Public Finance Management (County Governments) Regulations, 2015, which requires that financial transactions be classified according to the standard chart of accounts to ensure accurate reporting.
2. The misclassification and inaccurate reporting constitute a failure in the duty of the accounting officer to ensure that the entity keeps financial and accounting records that comply with the law, as required by Section 149(2)(b) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

1) **The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA Charles Mwenda (ICPAK No. 20191) and CPA Douglas Kobia Domoziano (ICPAK No. 10401) for misrepresentation of financial statements which constitutes professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAPS 531 and reports to the Committee and the Auditor General within 90 days of adoption of this report.**

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2) **The County Governor, in conjunction with the National Treasury, should identify the training needs of staff serving in the Finance Department and initiate capacity-building programmes to prevent future misclassification and reporting errors, as recommended under Regulation 5 of the PFM (County Governments) Regulations, 2015. This should be completed within 90 days of the adoption of this report.**
3) **The County Executive Committee Member (CECM) for Finance should take immediate steps to correct the error, ensuring that the Kshs. 1,400,000 is properly reclassified and reported as a grant in the financial records. A status report confirming this correction should be submitted to the Auditor-General within 90 days of the adoption of this report.**

4.0 Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs. 3,415,572,399 and as disclosed in Note 17 to the financial statements. However, the supporting ledgers reflected a balance of Kshs. 3,428,210,299 leading to an unexplained and unreconciled variance of Kshs. 12,837,900. In addition, review of records provided reveal that the County Executive submitted to the Controller of Budget, payables totaling Kshs. 1,741,933,778 leading to another variance of Kshs. 1,673,638,621 which has also not been explained or reconciled.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs. 3,415,572,399 could not be confirmed.

Management Response

Management stated that during the period under review, the County reported trade payables amounting to Kshs. 3,428,210,299, which were supported by a detailed ledger provided for audit review.

Management acknowledged that the County reported Kshs. 1,741,933,778 as pending bills to the Office of the Controller of Budget. The variance between the trade payables figure and the pending bills reported was attributed to payments that were requisitioned in June 2025 but were actually paid in July 2025.

Management explained that, for purposes of preparing the financial statements, the amounts were treated as payables since payment had not been made as at 30 June 2025. However, for reporting to the Office of the Controller of Budget, the amounts were excluded from the pending bills list because the funds had already been approved within the year under review.

Management further indicated that a reconciliation of the two figures was provided for audit review, including a supporting ledger for Kshs. 1,686,276,521 relating to payments made in July

2025 that were not included in the pending bills list submitted to the Office of the Controller of Budget.

Committee Observations

The Committee noted an unexplained and unreconciled variance of Kshs. 1,673,638,621 between the payables reported in the financial statements (Kshs. 3,415,572,399) and the pending bills list submitted to the Controller of Budget (Kshs. 1,741,933,778). This discrepancy, coupled with the failure to provide supporting documents, means the management has not ensured that the financial records are accurate and complete, as required by Section 149(2)(b) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Senate and Auditor General within 90 days of the adoption of this report.**
2) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**
3) **The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA Charles Mwenda (ICPAK No. 20191) and CPA Douglas Kobia Domoziano (ICPAK No. 10401) for misrepresentation of financial statements which constitutes professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAPS 531 and reports to the Committee and the Auditor General within 90 days of adoption of this report.**
4) **The County Executive, through the CECM for Finance, should identify the training needs of its finance staff and initiate capacity building in conjunction with the National Treasury within 60 days of the adoption of this report, as per Regulation 5 of the PFM (County Governments) Regulations, 2015.**

5.0 Unreconciled Kenya Medical Supplies Authority Debt

The statement of financial position reflects trade and other payables balance of Kshs. 3,415,572,399 and as disclosed in Note 17 to the financial statements. The balance includes trade payables balance of Kshs. 2,759,432,547 which further includes supply of drugs and medical supplies totaling Kshs. 43,412,108 owed to Kenya Medical Supplies Authority.

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However, the Authority's records reflect a balance of Kshs. 105,367,569 resulting in an unreconciled and unexplained variance of Kshs. 61,955,461.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs. 3,415,572,399 could not be confirmed.

Management response

Management stated that during the period under review, the County correctly reported an outstanding pending bill of Kshs. 43,412,108 owed to the Kenya Medical Supplies Authority.

Management further stated that, as at 30th June 2025, the County, through the Department of Health, had issued various LPOs to KEMSA amounting to Kshs. 105,367,569, but the authority had not fully supplied the drugs to the County. Management explained that, in preparing the financial statements, only amounts for which drugs had been supplied were recognized, while KEMSA retained the value of undelivered drugs as the amount owed by the County.

Management indicated that a reconciliation of the two amounts was provided during the audit process.

Management further noted that KEMSA has since fully supplied all the drug items relating to the said LPOs.

Committee Observations

The Committee observed that the County's financial statements reflect Kshs. 43,412,108 owed to KEMSA, while KEMSA's records show Kshs. 105,367,569, resulting in an unexplained variance of Kshs. 61,955,461. The management failed to provide sufficient supporting evidence to justify this difference, thereby breaching Section 149(2)(b) of the PFM Act, 2012, which requires the accounting officer to ensure that the entity keeps accurate financial and accounting records.

Committee Recommendations

The Committee recommends that;

1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Senate and Office of the Auditor General within 90 days of the adoption of this report.**
2) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

3) **The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA Charles Mwenda (ICPAK No. 20191) and CPA Douglas Kobia Domoziano (ICPAK No. 10401) for misrepresentation of financial statements which constitutes professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAPS 531 and reports to the Committee and the Auditor General within 90 days of adoption of this report.**
4) **The County Executive, through the CECM for Finance, should identify the training needs of its finance staff and initiate capacity building in conjunction with the National Treasury within 90 days of the adoption of this report, as per Regulation 5 of the PFM (County Governments) Regulations, 2015.**

6.0 Outstanding Retentions and Deposits Refund

The statement of financial position and as disclosed in Note 18 to the financial statements reflects refundable deposits and prepayments balance of Kshs. 89,224,553. This balance is in respect of retention money withheld by the County Executive, which is supposed to be banked in a refundable deposits account. The opening balance reflects a balance of Kshs. 86,843,700 while the County Executive procured capital projects totaling Kshs. 705,357,090 as reflected in the statement of cash flows. However, the movement of the deposits had not been disclosed in the Notes to the financial statements. Further, the bank account held at Central Bank of Kenya revealed a closing balance of Kshs. 40,824,224 hence an un explained and unreconciled variance of Kshs. 48,400,329.

In the circumstances, the accuracy and completeness of refundable deposits and retentions balance of Kshs. 89,224,553 could not be confirmed.

Management Response

Management stated that during the period under review, the County reported trade payables amounting to Kshs. 3,428,210,299, which were supported by a detailed ledger provided for audit review.

Management acknowledged that the County reported Kshs. 1,741,933,778 as pending bills to the Office of the Controller of Budget. The variance between the trade payables figure and the pending bills reported was attributed to payments that were requisitioned in June 2025 but were actually paid in July 2025.

Management explained that, for purposes of preparing the financial statements, the amounts were treated as payables since payment had not been made as at 30 June 2025. However, for

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reporting to the Office of the Controller of Budget, the amounts were excluded from the pending bills list because the funds had already been approved within the year under review.

Management further indicated that a reconciliation of the two figures was provided for audit review, including a supporting ledger for Kshs. 1,686,276,521 relating to payments made in July 2025 that were not included in the pending bills list submitted to the Office of the Controller of Budget.

Committee Observations

The Committee observed that the movement of retention and deposit funds was not disclosed in the Notes to the financial statements, and an unexplained variance of Kshs. 48,400,329 exists between the reported balance (Kshs. 89,224,553) and the bank statement balance (Kshs. 40,824,224). This lack of transparency and failure to reconcile public funds is contrary to the principle of prudent and responsible use of public money under Article 201(d) of the Constitution and the accounting officer's duty under Section 149(2)(b) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that:

1. **The County Governor undertakes administrative action against the responsible officer(s) who failed to properly manage, reconcile, and disclose the retention and deposit funds, as required by Section 156 of the PFM Act, 2012. A status report on the reconciliation and actions taken should be provided to the Senate and the Auditor-General within 90 days of the adoption of this report.**
2. **The Directorate of Criminal Investigations (DCI) investigates the breach of Section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the concerned county public officers. Where criminality is established, the matter should be referred to the Director of Public Prosecutions for prosecution.**

7.0 Unexplained Voided Transactions

Analysis of the system payments indicated that four hundred and ninety-six (496) transactions with a value of Kshs. 766,804,548 were voided or canceled during the year under review. However, Management did not provide reconciliation to confirm whether the voided transactions were subsequently paid.

In the circumstances, the accuracy and regularity of the voided transactions totaling Kshs. 766,804,548 could not be confirmed.

Management Response

Management stated that during the period under review, the County voided four hundred and ninety-six (496) transactions. The voiding of these transactions was necessitated by various reasons, including but not limited to:

- Capturing of incorrect account details,
- Cancellation of transactions for which approval to withdraw funds was not granted by the Controller of Budget, and
- Unpaid entries in the internet banking system at the close of the financial year.

Management further stated that a detailed analysis of the reason for each voided transaction, as well as the current status of each transaction, was provided for audit review.

Committee Observations

The Committee observed that 496 transactions valued at Kshs. 766,804,548 were voided or cancelled during the year. Management did not provide sufficient reconciliation to confirm whether these transactions were subsequently paid or properly re-authorised. The lack of a clear audit trail for these voided transactions undermines the control environment and is contrary to Regulation 102(3) of the PFM (County Governments) Regulations, 2015, which requires a sufficient audit trail for any alteration or deletion of a financial transaction.

Committee Recommendations

The Committee recommends that;

1) **The National Treasury to review the voided transactions to confirm whether due process was followed in voiding, noting to stipulate how and why the transactions were voided, and report back to the Senate within ninety (90) days of adoption of this report;**
2) **The Cabinet Secretary for the National Treasury to ensure IFMIS is reconfigured with the Central Bank of Kenya system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved for payment and report back to the Senate within ninety (90) days of adoption of this report; and**
3) **The Ethics and Anti-corruption Commission (EACC) investigates the voided transactions to determine whether funds were utilized for purposes approved by the Controller of Budget.**

Emphasis of Matter

8.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 12,452,916,563 and Kshs. 9,054,751,662 respectively, resulting to an under-funding of Kshs. 3,398,164,901 or 27% of the budget. Similarly, the County Executive spent an amount of Kshs. 8,241,985,043 against actual receipts of Kshs.

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9,054,751,662 resulting to an under-utilization of Kshs. 812,766,619 or 9% of the actual receipts.

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

Management Response

Management concurred with the audit observation that there was underfunding and underutilization of funds. Management explained that this was primarily due to the late disbursement of funds by the National Treasury. All grants were received in July 2025, and amounts that were received in June but whose approval from the Controller of Budget was obtained in July were therefore not included in the financial statements.

Committee Observations

The Committee observed that the County Executive experienced significant under-funding of Kshs. 3,398,164,901 (27% of the budget) and under-utilization of Kshs. 812,766,619 (9% of actual receipts). This indicates weaknesses in budget implementation and fiscal planning, which negatively impacts service delivery to the public as envisaged in the objects of devolution under Article 174 of the Constitution.

Committee Recommendations

The Committee recommends that:

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

9.0 Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, review of the status during audit revealed that the matters summarized in the attached **Appendix I** remained unresolved as at 30 June, 2025.

Management Response

Management stated that during the period under review, the County undertook both corrective and preventive measures to address prior audit issues. This included the preparation and adoption of an Action Plan to resolve outstanding audit matters. A copy of the implementation matrix detailing actions taken on issues raised during the prior year audit was provided for review.

Committee Observations

The Committee observed that several prior-year audit issues remain unresolved, contrary to Section 31(1) of the Public Audit Act, 2015 (Cap. 412B), which requires the Accounting Officer to take action to implement the recommendations of the Auditor-General and submit a report to the relevant legislative body.

Committee Recommendations

The Committee recommends that;

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

Basis for Conclusion

10.0 Delayed Passing of the Budget by the County Assembly

Review of budget process revealed that the County Assembly of Meru did not approve the County Government's annual budget estimates within the statutory timelines of 30 June, each year as prescribed under the Public Finance Management Act, 2012. The budget, was passed on 13 August, 2024. This was contrary to Section 129(7) of the Public Finance Management Act,

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2012 which provides that to enable smooth commencement of Government operations at the start of each financial year. The County Treasury should also ensure timely submission of the budget estimates to allow adequate review and deliberation.

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

Management Response

Management stated that during the period under review, the County undertook both corrective and preventive measures to address prior audit issues. This included the preparation and adoption of an Action Plan to resolve outstanding audit matters. A copy of the implementation matrix detailing actions taken on issues raised during the prior year audit was provided for review.

Committee Observations

The Committee observed that the County Assembly approved the County Budget on 13 August 2024, which was 44 days after the statutory deadline of 30 June. This delay is a direct contravention of Section 129(7) of the Public Finance Management Act, 2012, and disrupts the smooth commencement of government operations at the start of the financial year.

Committee Recommendations

The Committee recommends that the County Executive Committee Member for Finance **should ensure that the draft budget is submitted to the County Assembly by 30 April each year, in accordance with Section 129(2) of the Public Finance Management Act, 2012, to allow for timely public participation and legislative review as required by Article 196 of the Constitution.**

11.0 Late Disbursement of Exchequer Releases

Analysis of payment details revealed that the County Executive received an amount of Kshs. 1,640,816,129 after 15 June, 2025 from the Exchequer. This was contrary to Section 17(6) of the Public Finance Management Act, 2012 which provides among others that; The National Treasury shall administer the Consolidated Fund in accordance with Article 206 of the Constitution and facilitate payment into that account all monies raised or received by or on behalf of the National Government, and pay from that National Exchequer Account without undue delay all amounts that are payable for public services.

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

Management Response

Management concurred with the audit observation that there was late disbursement of exchequer releases. However, Management stated that the County has no control over the timing of disbursements by the National Treasury.

Committee Observations

The Committee observed that the County Executive received Kshs. 1,640,816,129 from the Exchequer after 15 June 2025. This late disbursement is contrary to Section 17(6) of the Public Finance Management Act, 2012, which requires the National Treasury to facilitate payments from the National Exchequer Account without undue delay.

Committee Recommendations

The Committee recommends that;

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

12.0 Non-Compliance with Fiscal Responsibility Principle on Development Expenditure

The statement of comparison of budget and actual amounts reflects total expenditure amount of Kshs. 8,241,985,042 comprising recurrent and development expenditure amount of Kshs. 7,536,627,953, and Kshs. 705,357,090 respectively. The development expenditure accounted for 9% of the total expenditure which was below the 30% threshold stipulated by Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015.

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

Management Response

Management concurred with the audit observation that total expenditure on development was below 30%. Management explained that this was because the majority of development expenditure related to requisitions made in June, but the actual payments were affected in July and were therefore reported as payables in the financial statements. Evidence of development expenditure whose payments were made in July 2025 was provided for audit review.

Committee Observations

The Committee observed that the County Executive's development expenditure of Kshs. 705,357,090 accounted for only 9% of the total expenditure. This is significantly below the

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statutory minimum of 30%, constituting a breach of Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which requires compliance with Section 107(2)(b) of the PFM Act.

Committee Recommendations

The Committee recommends that **the County Executive** must comply with Regulation 25(1)(g) of the PFM (County Governments) Regulations, 2015, by ensuring that development expenditure meets the 30% requirement as outlined in Section 107(2)(b) of the PFM Act. The County Treasury should provide a plan to the County Assembly and the Auditor-General on how this will be achieved in subsequent financial years.

13.0 Projects Implementation Status

The statement of comparison of budget and actuals reflects actual amount of Kshs. 8,241,985,042 which includes acquisition of property, plant and equipment amount totaling Kshs. 705,357,090. However, the following observations were made;

13.1 Procurement of Projects - Mechanical Transport Fund and Contractors

Review of the development cashbook revealed that an amount of Kshs. 223,000,000 in respect to civil works was paid to the Department of Roads - Mechanical Transport Fund (MTF) for gravelling of all-weather roads and culverts works. Further, the County Executive awarded contracts totaling Kshs. 493,777,736 to various contractors for similar civil works. However, mapping of which works were to be done by the Mechanical Transport Fund and individual contractors was not provided for audit. Further, the details of road works done by the MTF and individual contractors were also not provided.

In the circumstances, value for money in the expenditure amounts of Kshs. 223,000,000 and Kshs. 493,777,736 paid to Mechanical Transport Fund (MTF) and various contractors respectively, could not be confirmed.

Management Response

Management further explained that the projects were categorized into Flagship Projects and Ward Projects. The Flagship Projects comprised roads included in the Governor's manifesto, while Ward Projects were identified during public participation at the ward level.

All Flagship Projects were implemented through the Mechanical Transport Fund (MTF) in the State Department of Transport and Infrastructure, whereas Ward Projects were implemented

using local contractors. This approach was intended to ensure effectiveness and efficiency while promoting local enterprise.

Management stated that records of roads undertaken by both the MTF and local contractors were distinct and provided for audit review.

Committee Observation

The Committee observed that Kshs. 223,000,000 was paid to the Mechanical Transport Fund (MTF) and Kshs. 493,777,736 to various contractors for civil works, but a clear mapping of the specific works to be done by each entity was not provided for audit. The failure to provide detailed scope of works and project mapping means the accounting officer did not ensure that the resources were used in a way that was effective, efficient, and transparent, as required by Section 149(1) of the PFM Act, 2012.

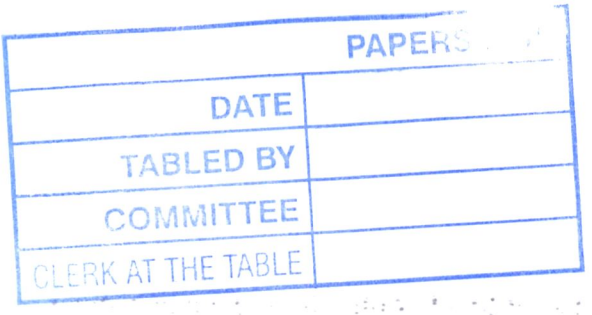
Committee Recommendations

The Committee recommends that;

1) **The Ethics and Anti-Corruption Commission investigate the Kshs 223,000,000 (MTF) and Kshs 493,777,736 (contractors) allocations to determine any cases of double payment, ghost projects, or misappropriation of public funds, and submit a status report to the Senate and the Auditor-General within 90 days of adoption of this report.**
2) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015.**
3) **The County Governor undertakes administrative action(s) against the responsible officer(s) who failed to provide documents at the time of audit to the auditors in accordance with section 156 of the Public Finance Management Act, 2012. and provide a status report to the Office of the Auditor General within 90 days from the adoption of this report.**
4) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.2 Construction of Timau Stadium Toilet

The County Executive incurred an expenditure amount of Kshs. 1,861,445 in respect to the construction of the Timau stadium toilet. However, physical verification carried out in month of June, 2025 revealed that toilet had not been constructed. Further, the existing gates had been vandalized and there was no dias.



Management Response

Management stated that during the period under review, the County constructed a toilet in Timau. Initially, the toilet was planned to be within the stadium; however, following consultations with stakeholders during the implementation phase, it was agreed to construct the toilet at the stage bordering the stadium to ensure it served a larger population within Timau town.

Management further explained that the vandalism of the gate and dais observed during physical verification occurred during a match when opposing fans turned rowdy. The County has since repaired the vandalized gate.

Committee Observations

The Committee observed that the toilet was originally tendered for construction within the stadium but was relocated to the main stage without a formal contract variation. This is a breach of the Public Procurement and Asset Disposal Act, which requires any material change to a contract to be effected through a formal variation. The subsequent vandalism also points to a lack of proper handover and security measures.

Committee Recommendations

The Committee recommends that;

1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015.**
2) **The County Executive should ensure that public participation is conducted prior to the tendering of any project and that any subsequent variations to contract terms strictly comply with the provisions of the Public Procurement and Asset Disposal Act (PPDA).**
3) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
4) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.3 Incomplete Execution of Low Voltage Board Works at Kanyakine Hospital

The County Executive through the Department of Health procured for supply, installation and commissioning of Low Voltage Board at Kanyakine Sub-County Hospital through an open National tender and awarded the contract to a local contractor. This award was through a

contract agreement dated 2 May, 2023 at a contract sum of Kshs. 8,958,007. Two (2) certificates of payment were raised with the second and final payment of Kshs. 1,861,026 being paid on 30/09/2024. However, physical verification at the Hospital in June, 2025 revealed that the Low Voltage Board had only been mounted and there was no evidence of connection to the power supply system.

Further, evidenced documentation including test reports and commissioning certificates to confirm commissioning activities had been carried out were not attached. This has resulted in the Hospital relying on outdated electrical infrastructure. Further, procurement documents were not provided for audit review.

Management Response

Management concurred with the audit observation that an LV board had been procured and installed at Kanyakine Level 4 Hospital but was not operational at the time of the audit review due to the absence of three-phase electric power.

Management stated that, at the time of the audit, the County had applied for the three-phase connection, which Kenya Power had not yet installed. The three-phase electricity has since been connected, and the LV board is now in use. Pictorial evidence confirming that the LV board is operational was provided.

Committee Observations

Committee Observations

The Committee noted that the LV Board at Kanyakine Level 4 Hospital, for which Kshs. 1,861,026 was paid, was not connected to power and remained non-operational at the time of audit. This expenditure did not achieve value for money as required by Section 149(1) of the PFM Act, 2012, due to poor project planning.

Committee Recommendations

The Committee recommends that;

1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**
2) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**

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

13.4 Construction of Ablution Block and Laboratory at KMTC Miathene Campus

The County Executive awarded a local contractor a tender for construction of an ablution block and laboratory at Kenya Medical Training College (KMTC) Miathene Campus at a cost of Kshs. 8,893,027. The project was to commence in January, 2022 and was scheduled for completion in August, 2022. The project was inspected and accepted on 30 November, 2023 one year after the intended completion date. Physical verification carried out in June, 2025 revealed that both the ablution blocks (male & female) and the laboratory were not in use. It was also, observed that no provision for water to these facilities was factored in during project planning, further hindering their use.

Management Response

We concur with the audit observation that the county constructed an ablution block and a laboratory at KMTC miathene campus. At the time of physical verification, the facilities were not in use. This was due to lack of water connection. However, as at the moment the water has since been connected and the facilities are currently in use.

Committee Observations

The Committee observed that the ablution blocks and laboratory at KMTC Miathene Campus, constructed at a cost of Kshs. 8,893,027, remained unused as at June 2025 due to the absence of a water connection. This demonstrates a failure in project planning, leading to expenditure that did not deliver the intended social benefits, contrary to the principles of effectiveness and economy under Section 149(1) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

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

13.5 Kiguchwa Dispensary

The County Executive awarded local contractor a tender at a cost of Kshs. 999,251 in respect to renovation works at Kiguchwa Dispensary. The works were scheduled for completion on 30 June, 2023. However, physical verification of the dispensary revealed that several renovation works were completed in June, 2023 on the maternity block that was originally commissioned on 3 August, 2015. Despite the recent renovations, the maternity block remains underutilized due to persistent understaffing at the facility.

Management Response

Management stated that renovation works at Kiguchwa Dispensary were completed, as correctly observed in the audit findings, and the dispensary maternity block is in use.

Management further noted that, at the time of the audit review, the facility had two staff. To improve staffing levels across various hospitals, the County is in the process of recruiting additional health workers to bridge staffing gaps and enhance service delivery. A copy of the advertisement for recruitment of additional health workers was provided. Management stated that, once the recruitment process is completed, additional staff will be posted to the facility.

Committee Observations

The Committee observed that renovation works at Kiguchwa Dispensary, costing Kshs. 999,251, were completed, but the maternity block remains underutilized due to inadequate staffing. This indicates a lack of coordinated planning between infrastructure development and human resource deployment, failing to ensure effective service delivery as required by Section 149(1) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

1) **The County Governor, through the County Public Service Board, should facilitate the recruitment and posting of the required staff to Kiguchwa Dispensary to ensure that the renovated facility is fully utilised. A status report should be submitted to the Auditor-General and the Senate within 90 days of the adoption of this report.**

2) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**

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

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

13.6 Construction of Modern Roof Shed at Kinoro Market

The County Executive awarded a contract to a local merchant at a contract sum of Kshs. 1,279,619 in respect to the construction of a modern roof shed at Kinoro Market. The Project Inspection Certificate was issued on 15 February, 2024. Physical verification carried out in June, 2025 revealed that the works were complete. However, the market was not in use and appeared abandoned but was occupied by boda-boda riders. No justification was provided on why the project was not put to use promptly to deliver the intended economic benefit by the relevant Department.

Management response

Management stated that during the period under review, the County had completed construction of market infrastructure projects aimed at improving trade and industry within the County.

Management further noted that, at the time of the audit review, the market had not been officially commissioned and was not in use. The County has since officially opened the market for use. Evidence confirming that the market infrastructure is now operational was provided.

Committee Observations

The Committee observed that projects totalling Kshs. 99,639,474 (Kinoro Market: Kshs. 1,279,619; Timau Market: Kshs. 6,174,861; Maritati Market: Kshs. 3,120,680; Marimati Perimeter Wall: Kshs. 3,120,680) were completed but remained idle for over a year. This failure to put completed public assets to use constitutes wasteful expenditure and a failure to achieve value for money, as required by Section 149(1) of the PFM Act, 2012, and is contrary to the principle of prudent use of public resources under Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that;

1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**

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

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

13.7 Timau Market Roofing

The County Executive incurred an expenditure amount of Kshs. 6,174,861 in respect to roofing. However, the market has been idle for over one year.

Management Response

Management concurred with the audit observation that the roofing at Timau Market had been properly undertaken.

Management further stated that the National Government, in its effort to create modern markets within the County, identified Timau Market as one of the modern markets and committed funds to improve additional infrastructure within the market. At the time of the physical verification, there were ongoing works, including cobro paving, which made it temporarily impossible for traders to display their wares.

Management noted that the works by the National Government have since been completed, and traders have resumed using the market. Evidence confirming that traders have moved back following completion of the works was provided.

Committee Observations

The Committee noted that Kshs. 6,174,861 was spent on roofing the market; however, the facility remained idle for over one year despite completion.

Committee Recommendations

The Committee recommends that;

1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**
2) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**

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

13.8 Grill Fixing at Maritati Market

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The County Executive incurred an expenditure amount of Kshs. 3,120,680 in respect to fixing grills at Maritati Market. However, the project has been idle and it has not been put into use for over one year.

Management Response

Management concurred with the audit observation that, at the time of physical verification, the market was not in use. This was because the County was addressing various concerns and conditions raised by the traders before they could move back.

Management further stated that the market has since been put into use following an agreement with the traders on the issues raised, including market zoning, cleaning of the market and toilets, and water connection.

Committee Observations

The Committee noted that Kshs. 3,120,680 was spent on fixing grills at Maritati Market, yet the facility remained idle for over one year.

Committee Recommendations

The Committee recommends that;

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

13.9 Alterations and Installations of Steel Grills at Marimati Perimeter Wall

The County Executive awarded a contract for alterations and installations of steel grills at Marimati perimeter wall at a cost of Kshs. 3,120,680. Physical verification carried out in the month of June, 2025 revealed that although the works were done, the project remained idle as it had not been put into use for over one year.

In the circumstances, these projects totaling Kshs. 99,639,474 may not have delivered the intended economic and social benefits to the public.

Management Response

Management concurred with the audit observation that, at the time of physical verification, the market was not in use. This was because the County was addressing various concerns and conditions raised by the traders before they could move back.

Management further stated that the market has since been put into use following an agreement with the traders on the issues raised, including market zoning, cleaning of the market and toilets, and water connection.

Committee Observations

The Committee noted that Kshs. 3,120,680 was spent on alterations and installation of steel grills at Marimati perimeter wall, but the project remained idle for over a year.

Committee Recommendations

The Committee recommends that;

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

14.0 Delayed Proposed Construction of County Aggregation and Industrial Parks

The State Department for Industry invited sealed bids for construction of proposed County Aggregation and Industrial Parks (CAIP). Seven (7) bidders submitted their bidding documents and the contract was awarded to a local merchant at a contract sum of Kshs. 492,212,741. Review of the project file provided for audit revealed that one of the unsuccessful bidders who had bid at a contract sum of Kshs. 465,320,261 was disqualified during Mechanical works evaluation for failing to attach sub-contractors' details. However, according to the standard tender document Section III on evaluation and qualification criteria, the document only provided mandatory requirements for Main Contractor and was silent on sub-contractor's mandatory documents. It was therefore, not clear why unsuccessful bidder was denied the contract having bid the lowest by an amount of Kshs. 26,892,480. Therefore, the County Executive may have prepared skewed or tailored technical specifications allowing unfair competition contrary to Section 149(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to ensure that resources of the entity for which the officer is designated are used in a way

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that is effective, efficient, economical and transparent. Management has paid the contractor an amount of Kshs. 478,499,999. However, the bank statement for the project was not provided for audit review.

In the circumstances, the value for money of an amount of Kshs. 26,892,480 incurred above the lowest bidder could not be confirmed.

Management Response

Management stated that during the period under review, the County implemented the County Aggregation Industrial Parks Project.

Management further stated that during bid evaluation, one bidder who had quoted Kshs. 465,320,261 was disqualified at the mechanical works evaluation stage. The disqualification was due to the sub-contractor's documents having expired NCA and Tax Compliance Certificates, which are mandatory prerequisites for the award of any government contract. Management noted that the disqualification was therefore justified. Evidence of the evaluation committee's decision was provided.

Management also stated that the project has been completed and the County has planned its official launch and commissioning in March of the current year.

Committee Observations

The Committee observed that the lowest bidder (Kshs. 465,320,261) was disqualified based on sub-contractor documentation requirements that were not clearly specified as mandatory in the tender document. This action potentially undermines the principles of fairness, equity, transparency, and competitiveness in public procurement, as enshrined in Article 227 of the Constitution.

Committee Recommendations

The Committee recommends that;

1) **The Committee recommends that, to achieve the primary objective of the County Aggregation Industrial Project (CAIP), which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development**

2) **The County Executive takes appropriate disciplinary action against the responsible officer(s) where it is established that a bidder was disqualified based on criteria not contained in the tender documents;**
3) **The Public Procurement Regulatory Authority (PPRA) investigate the tendering process and the Tender Evaluation Committee pursuant to section 9(1)(h) with a view to establishing if any offences against procurement law were committed and the individuals responsible for the irregular modification of the tender document;**
4) **The Ethics and Anti-Corruption Commission investigate the individual members of the Tendering Committee with a view to the prosecution of the individuals responsible for the irregular tendering process.**
5) **The Office of the Auditor-General conduct a forensic audit of the Kshs. 478,499,999 already paid. If the audit establishes that the technical specifications were intentionally skewed to favor the winning bidder, the Accounting Officer should be held personally liable and surcharged for the loss of public funds in accordance with Section 202 of the Public Finance Management Act.**

15.0 Non-Compliance with the Public Procurement Capacity Building Levy Order, 2023

Review of records revealed that the County Executive entered into contracts but no documentary evidence had been provided to confirm that the Entity complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

In the circumstances, Management was in breach of law.

Management response

Management stated that during the period under review, the County deducted and remitted 0.03% of the value of signed contracts as the Public Procurement Capacity Building Levy in accordance with the 2023 Order.

Management further stated that the bank details for the Public Procurement Authority are mapped in the IFMIS system, enabling the County to remit the levy directly without using the e-Citizen platform.

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A sample of payments made to the Public Procurement Authority for the Capacity Building Levy was provided for audit review.

Committee Observation

The Committee observed that there was insufficient documentary evidence to confirm that the 0.03% Public Procurement Capacity Building Levy on procurement contracts was consistently deducted and remitted as required. This constitutes a breach of the Public Procurement Capacity Building Levy Order, 2023, and the accounting officer's duty under Section 149(2)(a) of the PFM Act, 2012, to ensure all expenditure is lawful.

Committee Recommendations

The Committee recommends that;

1) **The County Governor submits to the Auditor-General, within ninety (90) days of adoption of this report, a schedule of all contracts signed since the inception of the 2023 Order, together with IFMIS-generated receipts confirming that the 0.03% levy was deducted and remitted to the Public Procurement Regulatory Authority (PPRA).**
2) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Senate and Auditor General within 90 days of the adoption of this report.**
3) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

16.0 Compensation of Employees

The statements of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs. 4,620,092,462 in respect of compensation of employees. Review of employees' records revealed the following unsatisfactory matters:

16.1 Payment of Salaries and Wages Above Set Limit

As previously reported, the County Executive incurred an expenditure on salaries and wages amounting Kshs. 4,620,092,462 which translates to 45% of the total receipts of Kshs. 10,217,151,933 during the year. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the County Government's expenditure on wages and benefits for its public officers, shall not exceed thirty-five (35) percent of the County Government's total revenue.

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

Management Response

Management concurred with the audit observation that expenditure on compensation of employees exceeded the statutory 35% of total revenue threshold.

Management stated that, to address this, the County has frozen recruitment for non-essential services. Additionally, the County is undertaking measures to enhance revenue collection in order to reduce the employee cost ratio and ensure compliance with the statutory requirement.

Committee Observations

The Committee observed that the County's salary and wage expenditure of Kshs. 4,620,092,462 represented 45% of its total revenue, which is 10 percentage points above the statutory limit. This is a direct contravention of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, read with Section 107(2)(c) of the PFM Act, which limits wage expenditure to 35% of total revenue.

Committee recommendations

The Committee recommends that—

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

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

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

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

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

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

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

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

16.2 Centralized Budgeting for Staff Costs

Audit review of employee costs revealed that the budget for staff costs for all Departments was made under one vote Meru - Public Service Management and Administration (Vote 3569), yet each Department's Accounting Officer (the Chief Officer) is responsible for identifying staffing needs, preparing recruitment requests, and submitting them to the County Public Service Board (CPSB). They were accountable for the staff deployed to their department, including performance management, discipline, and ensuring staff align with departmental objectives. This was contrary to Regulations 119(2) and (3) of the PFM (CG) Regulations which provides that the budgetary allocation for personnel costs shall be determined based on a detailed costing of a human capital plan of a County Government entity as approved by the responsible County Department for Public Service Management matters, the County Public Service Board and County Treasury. Regulation 3 provides that the Accounting Officer of a County Government entity shall ensure that the personnel cost of all appointees, as well as promotion and salary increase, can be met within the budgetary allocation voted for the County Government entity.

In the circumstances, it was not possible to confirm the actual staff level of officers in each Departments.

Management Response

Management stated that during the period under review, the County budgeted for employee costs under the Department of Public Service Management and Administration, which is responsible for overall human resource management.

Management explained that although Chief Officers identify staffing needs at the departmental level, human resource functions are centralized to enhance efficiency in managing common services such as administration, leave management, disciplinary matters, support staff, and drivers.

Management further stated that the County payroll is centrally managed under the Department of Public Service Management and Administration, unlike the National Government where line

ministries manage independent payrolls. The centralized budgeting framework enables management to assess the impact of departmental recruitment on the overall personnel ratio.

Management therefore maintained that the County was not in breach of any law by maintaining a centralized budget for employee costs.

Committee Observations

The Committee observed that budgeting for all staff costs under a single, centralized vote (Public Service Management and Administration) makes it difficult to confirm the actual staff levels and personnel costs for individual departments. This obscures accountability and is not in line with best practice where each accounting officer should be responsible for the personnel costs within their vote, as implied by Regulations 119(2) and (3) of the PFM (CG) Regulations, 2015.

Committee Recommendation

The Committee recommends that the CECM for Finance, in consultation with the County Public Service Board, should decentralize the payroll budget. A separate vote head for Personnel Emoluments should be assigned to each department to ensure staff costs are reflected against the specific department they serve, enhancing transparency and accountability. A report on the implementation of this should be submitted to the Auditor-General within 90 days of the adoption of this report.

16.3 Failure to Budget and Pay Gratuity to Contracted Employee

The County Executive engaged contracted employees but failed to honor the contract by paying the gratuity at the end of the contract. Instead, the terms of the contract kept on changing after every contract renewal. No explanation was given as to why the County Executive failed to pay or set aside funds for gratuity to the contracted employees. This was contrary to Paragraph 6.6.2 of the Employment Contract Between Meru County Public Service Board which provides that the Employee and the Contracted Employee for the Provision of Services on Contract shall upon successful completion of the contract the employee will be entitled to thirty (30) calendar days' wages in lieu of gratuity.

Management Response

Management stated that during the period under review, the County had employees engaged on contractual terms. For all contractual employees, gratuity is managed through the County Pension Fund (CPF).

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Management further stated that the County remitted the requisite contributions to the pension fund and that, upon expiry of the respective contracts, gratuity payments are expected to be made by the pension scheme.

Evidence of contributions made by the County to the pension scheme for purposes of gratuity was provided for audit review.

Committee Observations

The Committee observed that while the County remits contributions to a pension fund for contracted employees, the failure to ensure timely payment of gratuity at the end of their contracts constitutes a potential breach of contract and a contingent liability to the County. This represents a failure in proper financial planning and risk management, contrary to the duties of an accounting officer under Section 149 of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that:

1. **The Accounting Officer must ensure that the amounts payable as gratuity to contract employees upon completion of their term are provided for in the budget and that payments are made in a timely manner to avoid litigation and additional costs to the County.**
2. **The Auditor-General is requested to keep this matter in view in the subsequent audit cycle to ensure compliance.**

16.4 Irregularities in the Human Resource

Review of records revealed that County Executive engaged a local contractor on Phase 2 of unknown contract sum to deliver, install, test, and commission an Integrated County Human Resource System (HRIS-Ke). The vendor initiated the second phase of the works through data collection. Further, the contract was not provided for audit review. However, review of the data collection report revealed the following further observations;

16.4.1 Unexplained Unverified Worker

Review of the data collection report from the Vendor revealed that the County Executive had a total of six thousand, two hundred and five (6,205) staff members out of which, five thousand, six hundred and twenty-eight (5,628) were verified leaving five hundred and seventy-seven (577) staff unaccounted for. Further, the audit extract information from the payroll in June, 2024 revealed a population of five thousand, eight hundred and fifty-seven (5,857) resulting in an unreconciled variance of one thousand, three hundred and forty-eight (1,348) between the Vendor and the Audit.

The inconsistency in respect to the staff members' records was not explained.

Management Response

Management stated that during the period under review, the County engaged a vendor to deliver, install, test, and commission an Integrated County Human Resource System. A copy of the contract agreement was provided for audit review.

Management further stated that the second phase of the project involved physical verification of academic and professional documents and capturing biometric data of staff. The exercise covered staff of the County and its entities, with the County Executive accounting for 5,857 staff members and 1,348 relating to County entities.

As at the time of audit review, the vendor had submitted a draft report for the second phase, capturing biometrics of 5,628 staff members. Management stated that, upon receipt of the draft report, staff whose records did not appear in the exercise or whose details were missing were removed from the payroll. Communication to payroll and copies of the payroll for July and August 2025 were provided for audit review.

Management further stated that officers removed from the payroll were required to provide explanations for failure to participate in the exercise or demonstrate that they had participated before being reinstated. Sample forms completed by affected officers and endorsed by their supervisors were provided for audit review.

Committee Observations

The Committee observed that a total of 577 staff remained unaccounted for, with an unreconciled variance of 1,348 between the vendor's HR system report and the June 2024 payroll. This raises serious concerns about the integrity and accuracy of the payroll, potentially pointing to the existence of "ghost workers" and a breach of Regulation 120(3) of the PFM (County Governments) Regulations, 2015, which requires the accounting officer to certify the correctness of the payroll.

Committee Recommendations

The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) should conduct an immediate and thorough investigation into the suspected payroll fraud involving the unverified staff. The investigation should aim to identify the beneficiaries of the payments made to these individuals and recommend the prosecution of any officer(s) found complicit in maintaining unverified workers on the payroll. A status report should be submitted to the Senate and the Auditor-General within 90 days of the adoption of this report.

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16.4.2 Staff Under Probation for More than the Stipulated Period

As previously reported, review of the payroll records revealed that an amount of Kshs. 343,604,330 was paid to five hundred and ninety-eight (598) staff members who have been on probation for more than one year. This was contrary to Paragraph B.16 (1) of the County Public Service Human Resource Manual, 2013 provides that where vacancies exist in the pensionable establishment, candidates recruited to fill such vacancies shall be appointed on probation for six (6) months.

Management response

Management stated that, contrary to the audit observation that 598 members of staff were serving under probationary terms, the said officers had been confirmed to permanent and pensionable terms of service.

Management indicated that minutes of the County Human Resource Advisory Committee approving the confirmation of the officers to permanent and pensionable basis were provided for audit review

Committee Observation

The Committee observed that management failed to provide minutes of the County Human Resource Advisory Committee to support the claim that 598 officers had been confirmed to permanent and pensionable terms. This failure to provide supporting documents to auditors is a breach of Section 62(1)(b) and (c) of the Public Audit Act, 2015 (Cap. 412B).

Committee Recommendations

The Committee recommends that;

1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within 90 days of the adoption of this report.**
2) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

16.4.3 Compensation of Employees Costs to Unknown Staff

Detailed review of a sampled human resource records in the County Executive payroll revealed that an expenditure amount of Kshs. 9,486,690 had been paid to some employees who had not

offered services to the County and had been expunged from the payroll without any evidence and approval for the same as detailed below: -

i) A Medical Officer was granted a four-year study leave and bonded to serve for four years upon completion. The officer had only two years of service before the leave was approved. However, there is no evidence that the officer resumed duty after completing the study leave. Despite this, the officer has continued to receive a salary, leading to a potential loss of Kshs. 9,486,690 for the four years the officer was not in service from the expected date of return date of 21 October, 2021.

ii) Medical Officer's job designation remained Medical Officer Intern, Job Group L since the officer was posted to County Executive by the Transitional Authority in June, 2015 and confirmed received by the then County Chief Officer of Health. The Officer requested to pursue a masters of medicine (family medicine) which was approved by the Board according to a letter from the County Public Service Board vide a letter ref: MCPSB/LET/PER/20 dated 25 August, 2017 and was released vide a letter ref: 2014005244/TY/ (17) dated 29 August, 2017. The release letter being signed by the then Acting Chief officer Health. The rules governing the award of scholarship were signed by the officer on 7 September, 2017 and bonding forms were completed and signed on 25 August, 2017. The bonding period was four (4) years or Kshs. 10,155,150 payable to Chief Officer of Health on behalf of the County Executive in case of breach. In addition, as at the time of audit in June, 2025, there was no evidence in the staff personal file to show that the officer completed her studies and reported back to County Executive or any payment in lieu of the bond. The last document in her personal file (data sheet) was filled and completed on 6 April, 2018. The staff was also not in the Chief Officer of Health staff returns submitted for audit and did not turn up for physical verification conducted on 12 March, 2025.

Management response

Management concurred with the audit observation regarding the employee referenced in bullets (i) and (ii), a Medical Officer who was posted to Meru by the Transitional Authority in 2015. Management stated that the officer was granted approval to pursue a Master's Degree in Family Medicine, was bonded prior to proceeding on study leave, and the bonding terms required service for four (4) years or payment of Kshs. 10,155,150 to the Chief Officer for Health on behalf of the County Government in the event of breach.

Management further stated that the officer did not report back upon completion of study leave and that the County has initiated legal measures to recover the bonded amount. Evidence of the legal action taken was provided for audit review.

Committee Observations

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The Committee observed that Kshs. 10,155,150 was paid to a Medical Officer who did not resume duty after a four-year bonded study leave. Management failed to provide evidence that the officer resumed duty or paid the bonded amount despite breaching the study leave terms. This represents a loss of public funds and a failure by management to enforce the bond agreement, as required by their fiduciary duty under Section 149 of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

1) **The County Executive prioritizes the recovery of Kshs. 10,155,150 from the former officer and report back to Senate within 90 days of adoption of this report.**
2) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within 90 days of the adoption of this report.**
3) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**
4) **The Auditor General to keep the matter in view in the subsequent audit cycle.**

17.0 Non-Compliance with the Law Staff Ethnic Diversity

As previously reported, the audit established that 89% of employees in the IPPD System as at 30 June, 2025 were from one dominant ethnic community. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008. Further, the dominant community represented 88% of the new recruitment done in 2024/2025.

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

Management Response

Management concurred with the audit observation that the County did not adhere to the statutory requirement on regional balance.

Management explained that this was due to the limited number of applications received from applicants from non-dominant communities in response to various job advertisements. In most cases, the few applicants from non-dominant communities did not meet the minimum qualification requirements for the advertised vacancies.

Management stated that, going forward, the Board will strive to comply with the statutory requirement and will include a caption in future advertisements encouraging applications from non-dominant communities in order to attract qualified candidates from such communities.

Committee Observations

1) The Committee observed that the composition of the County's workforce does not reflect the ethnic diversity of Kenya, with 89% of employees from one dominant ethnic community. While acknowledging the demographic realities of Meru County, this fails to meet the spirit of Section 7(2) of the National Cohesion and Integration Act, 2008. The Committee further notes that Section 65(1)(e) of the County Governments Act mandates county public service boards to ensure that at least 30% of vacant posts at entry level are filled by candidates who are not from the dominant ethnic community, a provision that must be adhered to.

Committee Recommendations

The committee recommends that: -

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

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

18.0 Irregular Payments to the Council of Governors and County Public Service Board National Consultative Forum

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs. 1,585,636,068 which includes other operating expenses amount of Kshs. 310,276,980. This latter amount further, includes amounts of Kshs. 6,000,000 and Kshs. 300,000 paid to the Council of Governors and County Public Service Board National Consultative Forum, respectively. However, supporting documents such as; legal framework, invoice and contract agreement that formed the basis for the payment were not provided for audit review. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government to cater for; the Summit, the Council of County

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Governors, the Technical Committee, Secretariat, and the sectoral working group established by the Technical Committee and the sectoral working groups established by the Council.

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

Management response

Management concurred with the audit observation that the County paid Kshs. 6,000,000 to the Council of Governors and Kshs. 300,000 to the County Public Service Board National Consultative Forum.

Management explained that the payments were made due to inadequate funding by the National Government to key institutions that support devolution.

Management further stated that discussions have been held between the Council of Governors, the Senate, and the National Government on the matter, and there is expectation that an appropriate resolution will be reached.

Committee Observation

The Committee observed that the County paid Kshs. 6,000,000 to the Council of Governors and Kshs. 300,000 to the County Public Service Board National Consultative Forum without a clear legal framework or appropriation from the County Assembly for these specific purposes. This constitutes an irregular expenditure, as defined in Regulation 2 of the PFM (County Governments) Regulations, 2015, and is contrary to Section 149(2)(a) of the PFM Act, which requires all expenditure to be lawful and authorised.

Committee Recommendations

The Committee recommends that; -

1) **The irregular payments to the COG and the County Public Service Board National Consultative Forum be stopped and further recommends the surcharge of any Governor, in their capacity as the Office of the County Governor, who continues to make the irregular contribution.**
2) **The EACC to oversee the recovery of all the public funds irregularly transferred to the COG and CPSB National Consultative Forum by the Governor within 90 days of the adoption of this report. This is in line with the Resolution of the Senate.**

19.0 Lack of Approved Training Policy, Needs Assessment, and Annual Training Plan

The County Executive did not have an approved Training Policy, an Approved Annual Training Plan, or evidence of a Training Needs Assessment (TNA). Additionally, the County's Human Resource Manual is still in draft form, which contributed to the lack of formalized training and development procedures and frameworks. This was contrary to Section H 2 (3) of the Human

Resource Policies and Procedures Manual for Public Service, 2016, which requires that nomination and selection for individual and group training be based on prioritized training projections. The approved programmes should address National, Organizational and individual goals.

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

Management Response

Management stated that during the period under review, County departments approved training for various staff through their respective Departmental Human Resource Committees.

Management explained that the approved trainings were intended to address identified skills gaps at both individual and departmental levels and were informed by departmental training needs assessments.

Copies of minutes of the Departmental Human Resource Advisory Committee meetings approving the training requests were provided for audit review.

Committee Observation

The Committee observed that the County Executive continues to operate without a formally approved Human Resource Manual, a Training Needs Assessment, and an Annual Training Plan. This is contrary to Section H 2 (3) of the Human Resource Policies and Procedures Manual for Public Service, 2016, and undermines systematic and strategic human capital development.

Committee Recommendations

The Committee recommends that;

1) **The County Public Service Board (CPSB) to finalize and table the County Human Resource Policies and Procedures Manual in the County Assembly for approval and submit a status report to the Auditor General within ninety (90) days from the date of adoption of this report.**
2) **The CPSB to develop and submit an Approved Annual Training Plan for the 2026/2027 Financial Year to the Auditor-General within ninety (90) days of the adoption of this report.**
3) **The Auditor General to keep the matter under view in subsequent audit cycle.**

20.0 Unestablished Sub-County (Level 4) Hospitals

Audit review revealed that the County Executive has nine (9) established Sub-counties. However, the County has only established seven (7) Sub–county Hospitals. Further, there was no evidence to prove that the County Executive established a County Health Management Team,

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a health quality and assurance unit, a Health Facility Improvement Board and a policy on transfer of unutilized pharmaceutical and non – pharmaceuticals from one health facility to another so as to ensure efficient stock management. This was contrary to Section 8 (1) of the Meru County Health Services Act, 2016 which provides that there shall be at least one county hospital, at least one sub–county hospital in each sub–county, and at least one health center in each ward.

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

Management Response

Management concurred with the audit observation that the County has three gazetted Level 4 hospitals. Management stated that the mandate to classify and grade hospitals as Level 5, 4, or 3 rests with the Ministry of Health at the National Government level and not the County Government.

Management further stated that, in order to ensure residents of Meru County access quality medical services, the County maintains fifteen major hospitals distributed across the County. These include Meru Level 5 Hospital and Giaki Sub-District Hospital in Imenti North; Kanyakine Level 4 Hospital, Mikumbune Sub-District Hospital, and Kinoro Sub-District Hospital in Imenti South; Githongo Sub-District Hospital in Imenti Central; Timau Sub-District Hospital and Naari Sub-District Hospital in Buuri; Miathene Level 4 Hospital and Mikinduri Sub-District Hospital in Tigania West; Muthuara Sub-District Hospital and Mbeu Sub-District Hospital in Tigania East; Kageta Sub-District Hospital in Igembe Central; Nyambene Level 4 Hospital in Igembe South; and Mutuati Sub-District Hospital in Igembe North.

Management indicated that the County has continued to improve infrastructure and services within these facilities, including enhancement of theatres, morgues, specialized services, inpatient wards, and radiology blocks.

Committee Observation

The Committee observed that the County Executive has not established the required health governance structures, including a County Health Management Team, a Health Quality and Assurance Unit, and Health Facility Management Boards for all Level 4 and 5 hospitals, as required by Section 19 of the Health Act, 2017, and the Facility Improvement Funds (FIF) Act, 2023. Further, only seven out of the nine sub-counties have a gazetted sub-county hospital.

Committee Recommendations

The Committee recommends that;

1) **The County Governor to liaise with the Ministry of Health (MOH) and the Kenya Medical Practitioners and Dentists Council (KMPDC) to conduct an official inspection and grading of all facilities, ensuring their levels reflect current capacity and services, within ninety (90) days of adoption of this report.**
2) **The County Governor to appoint and gazette the County Health Management Team and the Health Quality and Assurance Unit in compliance with Section 19 of the Health Act, and submit a status report to the Senate and Auditor-General within 90 days of adoption of this report.**
3) **The County Governor to establish and operationalize Health Facility Management Boards for all Level 4 and 5 hospitals, in line with the FIF Act, 2023, to ensure transparency in revenue retention and service delivery, within 90 days of adoption of this report.**
4) **The County Executive to develop and table a Pharmaceutical and Non-Pharmaceutical Stock Management Policy in the County Assembly within ninety (90) days of the adoption of this report to ensure efficient stock management.**
5) **The Auditor-General to keep this matter under review in the next audit cycle.**

21.0 Lack of County Finance Bill

Review of the County Executive's legislative framework revealed that County continues to rely on the Finance Act of 2019 for the imposition of taxes, fees, and charges for services. The Act, though passed in line with the 2019/2020 financial year's budget proposals, has not been revised to reflect subsequent annual budgets and prevailing economic realities. As a result, current rates for various County services do not align with inflation and the increased cost of service delivery.

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

Management Response

Management stated that during the period under review, the County was using the Finance Act of 2019 to collect revenue.

Management further stated that the County has prepared the Finance Bill for 2025, awaiting approval by the County Assembly.

Committee Observation

The Committee observed that the County Executive continues to rely on the Finance Act of 2019 to impose taxes, fees, and charges. This reliance on outdated legislation may not reflect current economic realities and is contrary to the principle that no tax may be imposed, waived, or varied except as provided by legislation (Article 210(1) of the Constitution).

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Committee Recommendations

The Committee recommends that;

1) **The CECM for Finance to comply with Section 132(2), read together with Section 131 PFM Act by submitting the County Finance Bill simultaneously with the annual budget estimates to the County Assembly.**
2) **The County Assembly must, pursuant to Section 133 of PFM Act, pass and enact Finance Bill into law within ninety (90) after the passing of the Appropriation Act, to prevent the use of obsolete legislation.**
3) **The Auditor General to keep the matter in view in subsequent audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion.

Basis for Conclusion

22.0 Lack of an Updated Assets Register

Review of the County Executive's register revealed that Management did not update its assets register in 2024/2025 financial year. Scrutiny of sampled procurement records and physical verification exercises revealed that assets acquired in the subsequent financial years, including some identified in the year under review totaling Kshs. 3,959,399 had not been recorded in the assets register.

In the circumstances, the controls and safeguards of assets could not be confirmed.

Management Response

Management stated that during the period under review, the County was in the first year of adoption of the accrual basis of accounting.

Management further stated that IPSAS 33 allows entities in the first year of adoption to report only financial assets and liabilities. Additionally, the roadmap provided by the National Treasury in collaboration with the Public Sector Accounting Standards Board permits counties to report all fixed assets in the third year of adoption.

However, Management noted that the County prepared an inventory of all newly acquired assets, which was included in the assets register using the approved template. Documentation relating to the newly acquired assets, prepared in the prescribed format, was provided for audit review.

Committee Observation

The Committee observed that the County Executive had not updated its assets register during the 2024/2025 financial year, resulting in newly acquired assets valued at Kshs. 3,959,399 not being recorded. While the transition to accrual accounting allows for a phased approach as per the National Treasury's guidelines, the failure to maintain an updated register of current-year acquisitions is a lapse in internal control and a breach of Regulation 136(1) of the PFM (County Governments) Regulations, 2015, which mandates the maintenance of an updated asset register.

Committee Recommendations

The Committee recommends that;

1) **The County Executive should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 90 days of adoption of this report; and**
2) **The County Executive should adopt and implement the report of the Inter-Governmental Relations Technical Committee (IGRTC).**

23.0 Failure to Tag Fixed and Movable Assets

As previously reported, Public Finance Management Regulations, 2015 Paragraph 136 specifically mandates that County Governments to maintain an updated asset register that records all fixed and movable assets. This includes tagging assets and keeping detailed records such as the cost of acquisition, asset location, and condition. Physical inspection of sampled office desks, chairs and desktops revealed that the assets did not have tags on them therefore it was not possible to confirm whether the assets belonged to the County.

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

Management response

Management concurred with the audit observation that the County did not tag assets acquired in the last two financial years.

Management explained that this was due to lack of budgetary allocation for the exercise. Management further stated that an allocation was made in the current year's budget to carry out the asset tagging exercise.

Committee Observation

The Committee observed that the County has not tagged its fixed and movable assets, making it difficult to verify ownership and physical existence. This is a direct contravention of Regulation

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136(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires that fixed and movable assets be tagged and recorded in a register to ensure proper control and safeguarding.

Committee Recommendations

The Committee recommends that;

1) **The County Governor to complete the physical verification and tagging of all high-value and movable assets and submit a status report to the Senate and Auditor-General within ninety (90) days date of adoption of this report.**
2) **The Office of the Auditor General should progressively review and report on the matter in the subsequent financial year.**

CHAPTER TWELVE

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

The Governor of Embu County, Hon Cecily Mutitu Mbarire EGH, MGH appeared before the Committee on Wednesday 28th January 2025, to respond (under oath) to audit queries raised in the Reports of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Embu County for the Financial Year 2024/25.

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

REPORT ON THE FINANCIAL STATMENTS

Basis for Qualified Opinion

1. Unsupported Retention Deposits

The statement of financial position and as disclosed in Note 33 to the financial statements reflects refundable deposits and prepayments balance of Kshs.18,340,626. This balance is in respect of retention money withheld by the County Executive, which is supposed to be banked in a refundable deposits account. The opening balance reflects a balance of Kshs.32,161,778 while the County Executive procured capital projects totalling Kshs.896,222,260 as reflected in the statement of comparison of budget and actual amounts.

Further, the bank account held at Central bank of Kenya revealed a closing balance of Kshs.569,633 hence an un explained and unreconciled variance of Kshs.17,770,993.
In addition, Management did not provide a deposit ledger/register of beneficiaries who were either deducted or refunded the deposits indicating the contract sum of the projects, the scope, period and status. In the circumstances, the accuracy and completeness of the deposit balance totalling Kshs.18,340,626 could not be confirmed.

Management Response

The management responded that the variance relates to years when there was no separate deposits account and the funds could be retained in the Development bank account. Reconciliation has been done and all the funds accounted for. The management is in the process of providing for the difference through a supplementary budget. Retentions for the current and recent years are wired to the retention account accordingly.

Committee Observation

The committee observed that the refundable deposits balance of Kshs.18.34 million does not match the bank account balance of Kshs.0.57 million, leaving a difference of Kshs.17.77 million that the County Executive has not explained or reconciled.

Management could not provide a deposit register showing which contractors were deducted or refunded, or the details of the related projects. This made it impossible to confirm if the Kshs.18.34 million balance is accurate or complete.

Committee Recommendations

The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) conduct an investigation on the Kshs.17,770,993 , and to recommend prosecution of any culpable officer(s).
The County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.

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

2. Unsupported Expenditure on Legal Services

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.468,516,798 in respect of the use of goods and

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services, which includes an amount of Kshs.90,698,285 in respect of other operating expenses, which further includes legal expenditure amount of Kshs.2,287,351 paid to an Advocate. However, the files containing details of the work done by the Advocate were not provided for audit review. Further, there was no approval from the County Executive Committee regarding the outsourcing of legal services.

In the circumstances, the accuracy and completeness of the legal expenditure amount of Kshs.2,287,351 could not be confirmed.

Management Response

The management stated that the legal fees were paid to law firms that were contracted by the County Government to defend it against various legal suits instituted against it. The firm was given the contract was among law farms which had been prequalified. The County could have suffered immense loss if the legal firms never appeared in court to represent the County as judgement have been made previously against the County for failing to enter appearance. The files containing details of the work done by the Advocate has been availed for audit review.

Committee Observation

The committee observed that the management did not provide the necessary documents to support the query.

Committee Recommendation

The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.

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

3. Unsupported Payments in Respect of County Industrial Aggregation Park

The Embu County Revenue Fund financial statements reflect receipts of Kshs.186,000,000 from the County Industrial Aggregation Park Fund. Audit review of the Embu County Industrial Aggregation Park Fund bank statements reflect payments and transfers of Kshs.219,554,655 from the bank account during the year under review However, tender documents, payment vouchers, project files, bid documents and the financing agreement of the Embu County Industrial and Aggregation Park Project (CAIP) were not provided for audit review. Management indicated that the tender documents had been burnt during

demonstrations in Embu Town. In the circumstances, the accuracy and regularity of the expenditure could not be confirmed.

Management Response

The management responded that the County Government in at an advanced stage of constructing a County Aggregation and Industrial Park (CAIP). The is a project is being undertaken jointly with the National Government. The agreement document between the National and County Governments, payment vouchers, project subject file and project status report have since been availed for audit review. Regrettably, the tender documents were among the records destroyed in an arson attack on government premises in the month of June, year 2023/2024

Committee Observation

The committee observed that the original tender documents was destroyed in an arson attack.

Committee Recommendation

The Committee recommends that;

1. To achieve the primary objective of the County Agro-Industrial Project (CAIP), which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development.

2. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within ninety (90) days of the adoption of this report.

4. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update, in addition the management to ensure they provide the tender documents to the Auditor General within (90) days of the adoption of this report.

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5. Undisclosed Account Payables

The statement of financial position reflects current liabilities balance totalling Kshs.1,722,877,451. However, the balance excludes a liability in respect to transfers from special purpose account amount of Kshs.10,167,300 which was borrowed from the special purpose account but was not refunded back to the account.

Further, the payables have been classified as current liabilities, however, review of the payment plan forwarded to Controller of Budget showed that payables totalling Kshs.1,429,250,047 were to be settled between 2026/2027 to 2032/2033 six (6) years financial period which should have been classified as non – current liabilities.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs.1,722,877,451 could not be confirmed

Management Response

The schedules provided to support the figures of Kshs.1,429,250,047 payable between 2026/2027 to 2032/2033, a six (6) years financial period which should have been classified as non – current liabilities. The observation has been considered and shall be implemented in future reports while the Ksh.10,167,300 was not a borrowing but an inter account transfer which was appropriately journalized and authorized.

Committee Observation

The committee observed that even though the inter account transfer was appropriate the money borrowed had not been returned.

Committee Recommendations

The Committee therefore recommends that:

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

4. **that the County Executive pays all pension deductions to the relevant funds within ninety (90) days of the deductions becoming due, failure to which the subsequent quarter budget releases will not be effected;**

5. **that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;**

6. **that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and**

The Committee further recommends that—

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

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

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

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

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

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

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

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6. Unreconciled Kenya Medical Supplies Authority Debt

The statement of financial position reflects current liabilities balance totaling Kshs.1,722,877,451. The liabilities balance of Kshs.1,722,877,451 includes supply of drugs and medical supplies totaling Kshs.33,723,916 owed to Kenya Medical Supplies Authority. However, the Authority's records reflect a balance of Kshs.43,861,705 resulting in an unreconciled and unexplained variance of Kshs.10,137,789.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs.1,722,877,451 could not be confirmed.

Management Response

In line with the audit observation, the Embu County Government has done a reconciliation on amounts owed to Kenya Medical Supplies Authority (KEMSA), an amount of Kshs.33,723,916 which had not been settled by the closure of the financial period, while the Kemsa records showed and amount of Ksh.43,861,705.

Index	Details	Amount (Ksh)	Amount (Ksh)
1	Un reconciled amount	10,137,789	
	Adjustments Done		
2	Payments Posted 04.07.2025		7,772,599
3	Outstanding Invoice		2,365,190
	Sub Total		**10,137,789**
	Amount Owed		
4	Reported Balance		33,723,916
5	Add: Outstanding Amount		2,365,190
	TOTAL PAYABLE TO KEMSA		**36,089,106**

The reconciliation to that effect has been concluded and provided for audit verification.

Committee observation

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

Committee Recommendation

The committee recommends that the matter be marked as resolved.

7. Voided Transactions

Review of the County Executive's system payments revealed that eight hundred and sixty – two transactions amounting to Kshs.313,720,244 were voided during the financial year 2024/2025. However, Management did not provide the supporting approvals and justification for the voided transactions amounting to Kshs.313,720,244.

In the circumstances, regularity of the voided transactions amounting to Kshs.313,720,244 could not be confirmed.

Management Response

The voided transactions were as a result of payments processed up-to payment but were unpaid due to insufficient funds at the end of financial period. The approvals have been provided for audit review.

Committee observation

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

Committee Recommendation

The committee recommends that the matter be marked as resolved.

Emphasis of Matter

i. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.6,534,262,282 and Kshs.5,259,463,775 respectively, resulting to an under-funding of Kshs.1,274,798,507 or 20% of the budget. Similarly, the County Executive spent an amount of Kshs.5,093,307,106 against actual receipts of Kshs.5,259,463,775 resulting to an under-utilization of Kshs.166,156,669.

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

Managements Response

The underfunding of the budget was caused by shortage in funds to finance the entire budget, attributed to a shortfall in own source revenue and donor funding. However, there was no underutilization of the budget given that the works and services had been contracted in the year and were at an advanced stage of completion.

Committee Observations

The Committee observed that;

1) there was under-utilization of appropriated funds by the county executive as a result of delay

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in exchequer releases by the National Treasury; and

2) the county did not meet its own-source revenue targets.

Committee Recommendations

The Committee therefore recommends that:

1. **the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012.**
2. **the County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**

ii. Pending Accounts Payable

Review of the budget revealed that an amount of Kshs.100,000,000 was allocated for the settlement of pending bills, against a total outstanding balance of Kshs.2,207,376,010 disclosed in the audited accounts for the year ended 30 June, 2024. An analysis of the ageing analysis schedule of pending bills revealed that the current year payables balance totaled Kshs.1,560,148,304, while the outstanding payables balance for the last financial year was Kshs.1,521,621,076. This represents Kshs.38,527,228 (3%) increase in pending bills from the financial year 2023/2024.

Further, the audit review of the payables' schedule revealed that as at the end of the third quarter of the financial year, the outstanding balance of accounts payable was Kshs.1,748,082,570. This indicates that the payables were not settled as a first charge on the budget.

Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

Management Response

The management responded that it has endeavored to settle the accounts payable through budgetary provision as well as deliver development to the residents with a total amount of ksh295,556,323 being paid out in the year under review. The was however an additional Ksh. 333,718,734.46 attributed to the short fall in resources an appendix was attached.

Committee Observation

The committee observed that the management has a 3% increase of pending accounts payable from the previous financial year.

Committee Recommendations

The Committee therefore recommends that:

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

The Committee further recommends that—

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

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

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

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

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

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

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

Other Matter

Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as summarized in **Appendix I**. However, review of the status during audit revealed that the matters remained unresolved as at 30 June, 2025.

Management Response

The management recognized all outstanding matters and has put down measures to bring them to a closure including allocating funds for adequate budgetary allocation and adherence to specific guidelines from the national Government.

Committee Observation

The Committee observed that the County Executive did not take action on some issues raised in the Report of the Auditor General for the Financial year 2023/2024.

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Committee Recommendations

The Committee recommends that—

1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Embu County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within ninety (90) days of the adoption of this report;

2. the account officer complies with section 53 of the Public Audit Act by taking the

relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;

3. the County Executive engages with the Office of the Auditor-General to address and resolve any outstanding matters; and

4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

Other Information

1.Irregular Extension of Revenue Collection and Management Automation System Contract

Review of records established that during the year, Management paid an amount of Kshs.3,000,000 to a local company for an extension of a contract for the supply, delivery, implementation, customization, and commissioning of a revenue collection and management automation system. The contract expired on 06 April, 2023 but had not been extended. However, Management issued Local Purchase Orders. No. 66 and 76, approving the contract extension without a formal recommendation from the Tender Evaluation Committee. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act, 2015 which sets the contractual obligations to a contractor after a procurement process is completed.

Further, records show that the County Government was already in the process of acquiring a new revenue system at a contract sum of Kshs.37,120,000 and an amount of Kshs.8,742,644 had already been incurred towards acquiring the new revenue system.

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

Management Response

The management stated that it acquired a Revenue Collection and Management Automation System under a contract executed on 6th April 2018 for a period of five (5) years, which lapsed on 6th April 2023. In accordance with Clause 5, Sub-Clause 6.1.3(B) of the Second Addendum to the Contract, ownership of the system was granted to the County Government upon expiry of the contract. In addition, At the time of contract expiry, the County Government lacked the requisite ICT infrastructure and technical capacity, including servers and related system-hosting capabilities, to independently host and manage the system. Consequently, and in order to ensure continuity of revenue collection and avoid disruption of services, Management allowed the service provider to continue hosting and supporting the

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system on an interim basis while the County worked towards establishing the necessary internal capacity. This arrangement covered third-party system services required for the continued operation of the Revenue Management System and was documented through internal approvals by the Embu County Revenue Authority (ECRA) Board.Further, Management had noted that the existing system could not meet the evolving operational and efficiency requirements for service delivery. As a result, the process of procuring a new Revenue Management System was initiated, which was already underway during the period under review.

Committee Observation

The committee observed that the management did not provide the handover report for full ownership. In addition, the management is breech of the provisions of Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation
The Committee recommends that; -

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

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

1. Weaknesses in Management of County Vocational Training Centers

Review of the courses offered at VTC revealed that eight (8) VTCs were offering eighteen

(18) more courses than those formally approved by the relevant accrediting bodies, such as the TVET Authority and the Curriculum Development Assessment and Certification Council (CDACC). These additional courses lacked official accreditation or curriculum approval, thereby constituting non-compliance with established academic regulatory standards. Mbonzuki VTC, was operating without accreditation, licensing, or registration by the Technical and Vocational Education and Training Authority (TVETA), contrary to the requirements of section 17 of the TVET Act, 2023.

Further, the Department of Vocational Training, offered appointment letters to twenty-six (26) Station Managers to the Vocational Training Centres across Embu County. However, it was noted that proper recruitment procedures and advertisements for the respective posts were not followed, and interviews were never conducted.

In addition, at one VTC, one permanent and pensionable instructor, who also served as the Manager, was responsible for training approximately eighty-three (83) enrolled students in the financial year. The instructor was technically skilled in one technical area, resulting in a competency gap for students seeking training in carpentry and welding courses.

In the circumstances, full optimization of the benefits from VTCs to the public could not be confirmed.

Management Response

The management stated that;

i. All the courses offered in the VTCs are accredited by either TVETA or KNEC or recently, CDACC. The VTCs apply for accreditation whenever a new course is added, but these bodies work on their own calendar and sometimes, it takes a lot of time before they come for evaluation
ii. The ***Scheme of Service for Youth Training Personnel (May 2012),*** did not have the position of Manager of the VTC and the serving officer were only given duty allocation letters awaiting further recruitments. The **Department of Education,** VTC section, is in the process of implementing the ***Scheme of Service for Vocational Training Personnel, November 2021***, after securing budget and the vacancies for Managers has been declared. The interviews will be conducted by Public Service Board in the year.
iii. In the F/Y 2025/2026, the department has secured funds to employ more instructors to help with the deficit that has been identified. The process of recruitment of new Intern-instructors will be completed early January 2026

Committee Observation

The committee observed that the management did not prioritize competitive recruitment. In addition, 8 VTCs offer uncredited courses. Staffing failures have also undermined governance and instruction with one teacher handling 83 students which creates skill gaps.

Committee Recommendation

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The Committee recommends that the County Executive shuts down the 18 unaccredited courses and suspends operations at Mbonzuki VTC until full accreditation is obtained under Sections 17 and 26 of the TVET Act, 2023.

Furthermore, the County Public Service Board must terminate the engagement of the 26 Station Managers hired without competitive recruitment, as their appointments violate Article 232 of the Constitution. To ensure personal accountability, the Accounting Officer responsible for these irregular hiring must be personally surcharged under Section 202 of the PFM Act to recover all salaries paid to date.

Additionally, the officer who authorized the unaccredited courses shall be surcharged to refund all tuition fees paid by affected students, as the training lacks legal and academic recognition.

3. Failure to Establish Sub–County (Level 4) Hospital

As previously reported, audit review revealed that Embu County has four (4) Sub- counties. However, the County Management has only established three (3) Sub - county (level 4) Hospitals, and none had been established in Manyatta Sub - county. This was contrary to Section 8 (1) of the Embu County Health Services Act, 2024 which states that

there shall be at least one County Hospital, at least one Sub-County hospital in each Sub-County, and at least one health center in each ward.

Further, there was no evidence to prove that the County Management established a County Health Management Team, a Health Quality and Assurance Unit, a Health Facility Improvement Board and a policy on transfer of unutilized pharmaceutical and non – pharmaceuticals from one health facility to another so as to ensure efficient stock management. This was contrary to the requirements of the Embu County Health Services Act, 2024, Sections 31, 35 and 45 respectively.

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

Management Response

The management stated that In line with the audit observation, the County Management has three Sub - County (level 4) Hospitals, and none had been established in Manyatta Sub – County. The Government is however at a very advanced stage of upgrading Four more health centers into Sub County hospitals, one of which is in Manyatta Sub County. The Embu Level 5 hospital is also domiciled in Manyatta Sub County which has all along served the residents in all health care matters.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the four centers.

Committee Recommendation

The Committee recommends that;

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

4. Stalled Construction of Gategi Health Centre

The County Executive awarded a local contractor a tender for the construction of Gategi Health Centre (Upgrading from Level 3 to Level 4) through Negotiation No:1482228 at a contract sum of Kshs.28,843,272 on 12 June, 2024. The Construction was supposed to be completed in twelve (12) months from the date of the contract. The first payment for the contract amounted to Kshs.13,305,153 for works done in the financial year 2023-2024 while the second payment amount was Kshs.10,000,000 all totalling Kshs.23,305,153 paid to the contractor.

Physical inspection of the project in the month of June, 2025, revealed that the project had stalled and the contractor was not on site despite a substantial amount of the contract sum having been paid, and the completion date of the contract having expired on 12 June, 2025.

In the circumstances, the value for money for the expenditure totalling Kshs.23,305,153 could not be confirmed.

Management Response

The management stated that there was a request by the user department for temporary suspension of construction works due to change of design.

The contractor has since resumed construction works on site. Appendixes were attached.

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Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the center.

Committee Recommendation

The Committee recommends that;

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

5. Idle Health Facilities Buildings

Audit examination of payment records and supporting documents in respect of construction and civil works revealed that the County Executive incurred a total expenditure amounting to Kshs.11,474,068 in respect to construction of Kiangungi Dispensary, Kangethia Dispensary, Gichera Dispensary, an ablution block at Gicheche Dispensary, and renovation of an Isolation Ward at Kianjokoma Level 3 Hospital. The project's physical inspection carried out in the month of June, 2025, revealed that the final certificates had been paid. However, the buildings had not been put into any form of use.

Further, Gichera dispensary's land was not fenced hence risked encroachment, the buildings and toilets had been vandalized, and there was presence of overgrown thickets and bushes in the compound. At Kiangungi dispensary, there was a substandard fence, paving of the compound was not done, the buildings and toilets had been vandalized, and there was the presence of overgrown trees and bushes in the compound.

In the circumstances, the value for money for the three projects expenditure totalling Kshs.11,474,068 could not be confirmed.

Management Response

i. **KIANGUNGI DISPENSARY**

The County Government is in the process of acquiring medical equipment and furniture for the facility, as well as recruiting staff to operationalize it. Security has been provided at the facility, and the community has been sensitized on the protection of public property. Bushes within the compound have been cleared, and the fencing has been reinforced.

ii. GICHERA DISPENSARY

The County Government is in the process of acquiring medical equipment and furniture for the facility and recruiting staff to operationalize it. The facility has been fenced in accordance with Contract No. 1881314-2024/2025 dated 10/06/2025. Appendixes were attached.

iii. KIANJOKOMA LEVEL 3 HOSPITAL

The building was initially designed to function as an operating theatre; however, it was later converted into a COVID-19 isolation center under the same contract. The department is currently in the process of reconverting the facility back to an operating theatre and equipping it accordingly.

iv. KANGETHIA DISPENSARY

The County Government is in the process of completing the external works and equipping the mortuary. This has been proposed under the 2026/2027 Fiscal plan.

v. GICHECHE DISPENSARY

Ablution block is now complete and in use.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing and equipping the dispensaries.

Committee Recommendation

The Committee recommends that;

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

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projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;

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

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

6. Stalled Twin Workshop at Siakago VTC

Construction of a twin workshop at Siakago VTC, initiated by the National Government in the financial year 2012 had stalled and remained incomplete to date. Following devolution, no further works were undertaken, and there was no documentation indicating whether the project was to be completed by the National Government or handed over to the County Government. Physical inspection conducted in July, 2025 confirmed that the contractor was not on site. Further, inspection revealed that female students occupied a dilapidated wooden/prefab dormitory that was poorly ventilated, lacked natural light at daytime and was on the verge of collapsing, thereby posing a risk of loss of life to the students.

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

Management Response

The responded that Siakago VTC is amongst the many facilities yet to be handed over from the national government in line with devolution of services, however during the F/Y 2025-2026, the department has allocated money for the completion of the Twin-Workshop at Siakago VTC.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the workshop.

Committee Recommendation

The Committee recommends that;

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

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

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

7. Stalled Projects at Karaba and Kamweli Dispensaries

Physical inspection of the projects of unknown amount in the month of July, 2025 revealed that two projects, the mortuary at Karaba dispensary and the maternity ward at Kamweli dispensary, had stalled, and the contractor was not on site. The Maternity Ward at Kamweli Dispensary was initiated in 2009, and no action had been taken to fast track its completion as of July, 2025.

In the circumstances, value for money and benefits to be accrued from the dispensaries were not achieved.

Management Response

i. KARABA MORTUARY

The County Government has allocated Ksh. 2,500,000 in the 2025/2026 financial year and is in the process of completing the external works and equipping the mortuary. More allocations will be considered in the year 2026/2027 fiscal plan for the final conclusion of the multi-year project

ii. KAMWELI DISPENSARY

The County Government proposed the allocation of funds in the 2026/2027 financial period for the completion and operationalization of the facility.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the mortuaries.

Committee Recommendation

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The Committee recommends that;

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

8. Stalled Project - Governor's Official Residence

As previously reported, the County Executive entered into a contract for construction of Governor's residence with a firm at a contract sum of Kshs.49,703,439 on 08 March, 2021. The contract period was to run for seventy-two (72) weeks with expected completion date of 8 September, 2022. However, at the time of audit in September, 2025, the Governor's official residence was not complete and the last certificate of work done revealed that the project was 55% complete. Physical inspection conducted in August, 2025 confirmed that the contractor was not on site. Further, the building had deteriorated and the wooden elements had begun to rot. Request for an engineer's opinion on status of the building was not provided for audit review. No evidence was also provided for review to confirm whether the contractor had sought for extension of contract period, or a default notice issued to the contractor by the County Executive.

In the circumstances, Management was in breach of the SRC circular of 20 May, 2019 and the public may not have obtained value for money from the stalled project.

Management Response

The management responded that the Governor's official residence was not complete. The contractor acted in breach and the contract was terminated. The management is planning on budgetary allocation once funds for completing the facility and bring it to use. An appendix was attached.

Committee Observation

The committee observed that the management had not allocated funds towards completion of the project. In addition, the contractor was terminated.

Committee Recommendation

The Committee recommends that;

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

9. Failure to Establish and Gazette the Alcoholic Drinks Board

Review of the operations from the Trade and Investment Department, where the Alcoholics' Drinks Board is domiciled, revealed that the County does not have in place an Alcoholic Control Board. Instead, the functions of the Board were performed by an Ad hoc Committee. Consequently, the revenue raised from the liquor licenses could not be confirmed in terms of the rates charged and accountability of the same. This was contrary to Section 4 (1) of the Embu County Alcoholic Drinks Control Act, 2021 which states that there is established a Board to be known as Embu County Alcoholic Control Board.

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

Management Response

The management acknowledged the audit observation regarding the absence of a formally established and gazetted Embu County Alcoholic Drinks Control Board as provided for under Section 4(1) of the Embu County Alcoholic Drinks Act, 2021.

It is important to note that the Act was recently amended through the Embu County Alcoholic Drinks Control (Amendment) Act, 2024 (No. 6 of 2024), which commenced on 16th September 2024. The amendment revised Section 4(3) to update the composition and appointment procedure of the Board by:

- Deleting the representation of religious group 4(3) (e) and representation of youth groups 4(3) (f).
- Introducing representation from NGOs involved in drug rehabilitation as per the National Council for Non-Governmental Organizations 4(3) (fa)

Following these legislative changes, the Department has initiated the process of

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establishing the Board in line with the amended law. Consultations with relevant stakeholders have been concluded, and a draft list of nominees has will been prepared. The nominees will be formally presented to the County Assembly for consideration and approval, after which the appointments will be gazetted to operationalize the Board.

In the interim, an ad hoc committee continues to facilitate liquor licensing and compliance operations to ensure service continuity pending the full constitution of the Board. Revenue collections, accounting and financial are functions of Embu County Revenue Authority and not functions of the Alcoholic Control Board.

Committee Observations

The Committee notes that the County does not have in place an Alcoholic Control Board where its functions were performed by an Ad hoc Committee contrary to Section 4 (1) of the Embu County Alcoholic Drinks Control Act, 2021 which establishes Embu County Alcoholic Control Board.

In addition, the revenue raised from the liquor licenses could not be confirmed in terms of the rates charged and accountability of the same in the absence of the Board.

Committee Recommendations

1. **The County Executive should implement Section 4 (1) of the Embu County Alcoholic Drinks Control Act, 2021 the Embu County Alcoholic Control Board to undertake the functions stipulated under Part II (4)(2) of the Act.**
2. **The Accounting Officer should provide accountability for the revenue raised from the liquor licenses and define the terms of the rates charged within 90 days after adoption of this repot.**

10. Failure to Surrender Imprests

Review of the imprest register revealed outstanding imprest of Kshs.21,768,240 issued between July, 2023 and 30 June, 2025 which had not been surrendered or accounted for. This was contrary to Regulation 93 (5) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that a holder of a temporary Imprest shall account or surrender the Imprest within seven (7) working days after returning to the duty station. In addition, some officers held multiple imprests before the surrender of

previous issues contrary to Regulation 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

Management Response

The outstanding imprest of Kshs.21,768,240 outstanding as at 30 June, 2025 has since been surrendered and documents produced for audit verification, and the recovery commenced on an outstanding amount of ksh.5,757,180 from the payroll. An appendix was attached.

Committee Observation

The committee observed that the management had not fully recovered the outstanding imprests.

Committee Recommendation

3. **The Committee recommends that the accounting officer who failed to recover the imprest surcharged in accordance with paragraph 93(6) of the Public Finance Management (County Governments) Regulations, 2015.**
4. **The Committee further recommends that the Directorate of Criminal Investigations investigate the breach of Regulation 93(7) of the Public Finance Management (County Governments) Regulations, 2015, by the Accounting Officer for failing to recover outstanding imprests. Where criminality is established, the matter should be referred to the Director of Public Prosecutions for prosecution.**
5. **OAG to keep this matter in view in the next audit cycle.**

11. Irregular Engagement of Casual Employees

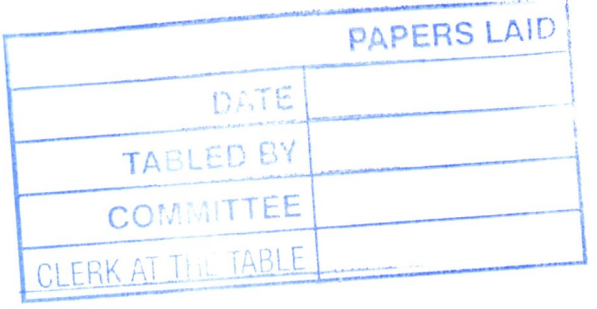
Review of records maintained established that the County Executive recruited four hundred and forty-two (442) casual employees for more than one month during the financial year. This was contrary to paragraph (v) on the Basic Guidelines on Hiring of casual workers in the Embu County Public Service of March, 2024 which states that casual workers will not be engaged for more than one (1) month on a continuous basis.

Further, there was no evidence of transparency in picking the casual workers since majority of the casual were above thirty (35) years of age and the posting list of the casuals with the respective responsibilities in each duty station was not provided for audit review.

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

Management Response

The four hundred and forty-two (442) casual workers were engaged and deployed to perform critical and sensitive functions, primarily cleaning and sanitation services in



health facilities and other public places. Disruption of these services would have posed significant public health and operational risks.

The casual workers were previously engaged by the former Hospital Management Boards and were therefore not newly recruited by the County Public Service Board during the period under review. Their continued engagement was necessitated by the need to ensure continuity of essential services pending regularization in accordance with applicable guidelines.

Management notes that the circumstances arose during the transition to the Basic Guidelines for Hiring Casual Workers in the Public Service (March 2024), whose procedural requirements are elaborate and time-intensive, particularly where large numbers of essential service providers are involved. As an interim measure, continuity of service was maintained pending full compliance with the said guidelines.

In view of the foregoing, and acting on its own motion, the County Public Service Board, pursuant to Section 63(c) of the County Governments Act, 2012, exercised its mandate in the best interest of the County Public Service to ensure uninterrupted delivery of essential services. Accordingly, the Board granted delegated authority to various Chief Officers to engage casual workers for a limited period of three (3) months strictly as a temporary measure to allow completion of the prescribed engagement processes in line with applicable laws and guidelines.(Delegated Authority)

With regard to transparency and deployment, Management confirms that the casual workers were deployed to specific duty stations based on operational requirements within departments.

Further, the County Public Service Board is in the process of regularizing the engagement of eligible casual workers by translating their terms of service to contractual engagements where the nature of the services is long-term, in order to ensure sustained compliance with the law and applicable public service regulations.

Committee Recommendation

The County Governor undertakes administrative action against the officer(s) responsible recruitment in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.

2. Irregular Engagement of Staff Above Mandatory Retirement Age

Review of payroll data revealed that seventy - six (76) officers who had attained the mandatory retirement age of sixty (60) years were still in service as at 30 May, 2025. This was contrary to Regulation 70(1) (a)(b) of the Public Service Commission Regulations

which states that the mandatory retirement age in the Public Sector shall be sixty (60) years and sixty-five for persons with disability.

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

Management Response

The officers cited were casual workers previously engaged by former Hospital Management Boards to perform security duties (watchmen) and were remunerated through a manual payroll system that existed prior to the migration to the Unified Human Resource (UHR) System for the Public Service.

Following a Government directive issued by the Head of Public Service vide circular Ref: OP.CAB.1/31A dated 4th August, 2022, directing all public institutions to migrate all categories of workers, including casual employees, from manual payrolls to the Unified Human Resource (UHR) System, thereby abolishing manual payroll arrangements. The Management on boarded all existing casual workers into the centralized system to ensure continuity of essential services, particularly security services in health facilities.

During the migration process, it was established that some of the casual workers had already attained the mandatory retirement age of sixty (60) years. This necessitated Management to take corrective action. Accordingly, the Chief Officer, Medical Services,

vide letter Ref: EC/COII/CS/VOL.IV/6 dated 22nd December, 2025, communicated the release of the affected casual workers and confirmed that the officers had been duly cleared by the department.

To ensure continuity of service delivery while maintaining compliance with the law, the County Public Service Board subsequently granted delegated authority to the relevant departments to recruit replacement casual workers in accordance with applicable laws and regulations.

Management confirms that the issue has been fully addressed and measures have been put in place to ensure adherence to retirement age requirements going forward.

Committee Observation

The committee observed that the management contravened Regulation 70(1) of the Public Service Commission Regulations by retaining seventy-six (76) officers beyond the mandatory retirement age of sixty (60) years as at 30 May, 2025, resulting in an unlawful payroll and breach of public service regulations.

Committee Recommendation

1. **The Committee recommends the immediate removal of the seventy-six (76) officers from the payroll, as their continued stay in service past the age of sixty (60) years**

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violates Regulation 70(1) of the Public Service Commission Regulations.

2. **The County Governor undertakes administrative action against the officer(s) responsible in recruitment in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.**

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

Review of Payroll data for the financial year under review revealed that the County Executive had one thousand three hundred and seventy-four (1,374) employees whose net pay was below a 1/3 of their basic pay. This was contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual 2016 for the Public Service on Salary and Allowances which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

Managements Report

The County Executive operates an automated Human Resource Information System (HRIS) configured to enforce the one-third basic salary rule by restricting third-party deductions beyond the allowable threshold. However, there are specific circumstances under which this restriction may be overridden.

The implementation of Social Health Insurance Fund (SHIF), Housing Levy, and enhanced National Social Security Fund (NSSF) contributions which significantly increased mandatory statutory deductions in the near past. These deductions are legally enforceable, non-discretionary, and system-driven, and were applied uniformly across affected employees, thereby contributing to instances of non-compliance with the one-third rule.

In cases involving recovery of government liabilities such as imprests and salary overpayments, the system prioritizes recovery in line with public finance accountability requirements. During such recovery periods, third-party deductions are deferred, but recovery deductions may result in net pay falling below the one-third threshold.

Committee Observation

The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act 2007.

Committee Recommendation

Committee Recommendations

The Committee recommends that -

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

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

Review of payroll data revealed that a total of one thousand nine hundred and eighty-nine (1,989) employees were from the dominant ethnic community in the County representing 55% of the total staff. This was contrary to the requirements of Section 7(1) and 7(2) of the National Cohesion and Integration Act, 2008 which states that all Public Establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Committee Observation

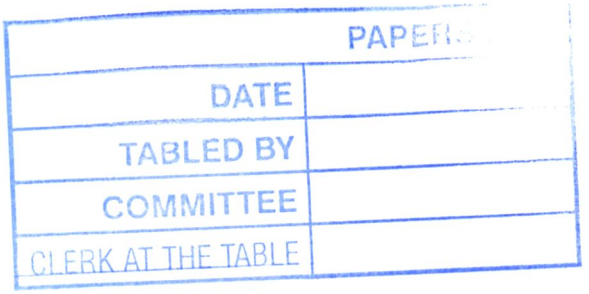
The Committee observed that here was no ethnic diversity among the County Executive employees.

The Committee also notes that section 65(1)(e) of the County Governments Act mandates county public service boards, in selecting candidates for appointment, to consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. This provision must be adhered to by all counties.

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

Committee Recommendations

The Committee recommends that—



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

14. Failure to Collect Revenue from the Social Halls

The County Government operated five (5) active Social Halls. During the year under review, IEBC and Talent academy social halls generated a revenue amount of Kshs.120,000 and Kshs.206,000 respectively, totalling Kshs.326,000 as reflected in the financial records. However, the revenue generated by the remaining three (3) social halls was not banked to the County revenue account but used by communities at source. This was contrary to Regulation 80 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County Treasury shall administer the County Revenue Fund in accordance with the Constitutional provisions in Article 207 and 209 (3) and (4) in controlling revenue receipts to ensure that (a) all revenue receipts by the County Government are paid into the County Exchequer Account, except receipts reasonably excluded by the Act, or any other Act of Parliament or an Act of County Assembly; and (b) withdrawals.

Further, physical inspection of one of the social halls revealed that, it was constructed on a road reserve, however there were no approvals from both the National and County Government for construction. In addition, management of the hall was under the community and revenue was channeled to a private bank account. Management did not provide information on the other three halls whose revenue collection was neither disclosed nor accounted for.

In addition, the County did not have any policy on handover of activities of halls to the communities after the constructions. Therefore, the basis of communities owning and collecting revenues from the halls could not be confirmed.

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

Management Response

The Department acknowledged the audit observations regarding the management and accountability of revenues from County social halls.

1. Gikuuri Social Hall - This facility is still under construction and has not yet become operational, hence no revenue was generated from the facility during the year under review. The current year's budget 2025/2026 has a budget for completion of the hall.
2. The Dallas Hall - is under the management of local community committees established prior to devolution. As such, the community committees were engaged to support operations, ensure proper maintenance, and safeguard County property from vandalism or misuse as witnessed previously before the facility was fully renovated by the current administration. The said facility is not charged per say but instead the users cater for cleaning and maintenance fee which is channeled through the committees for coordination.
3. Embu social hall - Embu Social Hall, located within the town center, is mainly utilized by government departments for official meetings and activities. The facility is considered a government establishment for internal use. Additionally, the hall has not been commercially viable due to inadequate furniture, limited maintenance, and availability of alternative modern facilities which offers better amenities and are freely accessible to the public.

To address the issue, the Department, in collaboration with the County Treasury, have developed a draft policy framework **to guide community participation and define clear** modalities for management of County social halls. The policy is awaiting budgetary allocation to kick start the other processes.

Committee Observation

The committee observed that the management contravened Regulation 80(1) of the Public Finance Management (County Governments) Regulations, 2015, by failing to bank revenue from three social halls, which was instead utilised by communities at source and not accounted for in the County Revenue Fund. Further, one social hall was constructed on a road reserve without requisite approvals from National and County Governments. Additionally, the absence of a policy on handover of halls to communities rendered the basis for community ownership and revenue collection unconfirmed, exposing public funds to potential loss and irregular use.

Committee Observation

The Committee observed that revenue from three social halls was not banked, its management was irregular, and the County lacks a policy governing hall operation.

Committee Recommendations

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The Committee recommends that;

1) **The County Executive should finalize and submit the Policy to the County Assembly for approval and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.**
2) **The County Executive should ensure that all future revenue collections at the social halls are integrated into the County's automated revenue system to eliminate manual handling and "at-source" expenditures.**
3) **The County Executive should identify and close all private accounts associated with Dallas Social Hall and transfer the balances to the Embu County Revenue Fund, and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.**
4) **The Auditor General to keep the matter in view in subsequent audit cycle.**

15. Unapproved Payment to the Council of Governors

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.468,516,798 in respect to the use of goods and services, which includes an amount of Kshs.90,698,285 in respect to other operating expenses, which further, includes an amount of Kshs.3,000,000 paid to the Council of Governors. This was contrary to Section 37 of Intergovernmental Relation Act, 2012 which provides that the operational expenses in respect of the structures and institutions

established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

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

Management Response

The Council of Governors made a resolution towards subscription by all County governments and communicated the same and therefore made it a requirement for all Counties to pay.

Committee Observation

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

Committee Recommendation

1. **The Committee recommends that the irregular payments to the Council of**

Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.

2. **The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.**

16. Failure to Deduct and Remit Public Procurement Capacity Building Levy

Review of records revealed that the County Executive entered into contracts but no documentary evidence was provided to confirm that the County Executive complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, the Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

Management Response

The management stated that it effected the levy effective January 2025 when the IFMIS system was configured to deduct the same along other mandatory deductions. The system configuration is done centrally at the national Treasury Nairobi and not a function of the County Government.

Committee Observation

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

Committee Recommendation

The committee recommended the matter be marked as resolved.

17. Lack of Annual Development Plan

The County Executive did not provide the Annual Development Plan for the financial year 2024-2025 that was submitted to the County Assembly. This was contrary to Section 126(3) of the Public Finance Management Act, 2012 which requires the County Executive Committee member responsible for planning to submit the county's development plan to

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the County Assembly for approval and also send copies to the Commission on Revenue Allocation and The National Treasury.

In the circumstances, Management was in breach of law.

Management comments

County Executive Committee member responsible for planning submitted the County's Annual Development Plan to the County Assembly for approval and also sent copies to the Commission on Revenue Allocation and The National Treasury as required by law. The plan is available in the Embu County Website and has been produced for audit verification.

Committee Observation

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

Committee Recommendation

The committee recommended the matter be marked as resolved.

18. Non-Compliance with the Law on the County Appropriation Act, 2024

Review of the County Revenue Fund bank statements revealed that withdrawals totalling Kshs.606,491,986 and Kshs.290,384,401 between 01 July, 2024 and 14 July, 2024 were made for the recurrent and development expenditures respectively. However, approval from the Speaker of the County Assembly to the County Executive Committee Member granting authority to withdraw from the County Revenue Fund had not been provided as the County Appropriation Act, 2024 was assented to on 15 July, 2024. This was contrary to Section 8(1)(c) of the County Governments Act, 2012 which gives power for the County Assembly to approve before expenditure of the County Funds.

In the circumstances, Management was in breach of law.

Management Response

The management stated that the withdrawals totalling Kshs.606,491,986 and Kshs.290,384,401 between 01 July, 2024 and 14 July, 2024 for the recurrent and development expenditures respectively were in respect to the year 2023/2024 financial year when we were reporting on cash bases and the cut off extended to mid-July.

The expenditure the funds were committed to was reported in the financial statements and audited accordingly.

The cut offs have been presented to auditors for verification

Committee Observation

The committee observed that withdrawals totalling Kshs.896,876,387 for recurrent and development expenditures were made between 1 July 2024 and 14 July 2024 before approval of the County Appropriation Act, 2024 on 15 July 2024, contrary to Section 8(1)(c) of the County Governments Act, 2012.

Committee Recommendation

The committee recommends that the County Executive must ensure that no withdrawals from the County Revenue Fund are made without prior approval from the County Assembly, in strict compliance with Section 8(1)(c) of the County Governments Act, 2012, as well as the relevant provisions of the Public Finance Management Act, 2012 and Public Finance Management (County Governments) Regulations, 2015. All expenditures must be authorized only after the County Appropriation Act has been assented to, to safeguard public funds and ensure accountability

The OAG to keep the matter in view the next audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT, AND GOVERNANCE

1. Failure to Activate Exchequer Receipts Module in the Integrated Financial Management Information System

Comparison between the net exchequer issues by The National Treasury totalling Kshs.5,797,242,036 to County Government against the MRR Receipts as captured in Integrated Financial Management Information System (IFMIS), revealed Nil amounts resulting to an unexplained variance of Kshs.5,797,242,036. No explanation was provided for failure to activate the Receipt Module in IFMIS.

In the circumstances, the Effectiveness of Internal Controls, Risk Management and Governance in respect to complete accountability modules in IFMIS could not be confirmed.

Management Response

The management responded that the variance has been occasioned by the Exchequer releases not being posted to the revenue module in the IFMIS. Measures have been put in place to address the gap.

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Committee Observation

The committee observed that the management did not prioritize full automation as envisioned in the IFMIS strategic plan for 2022-2026.

Committee Recommendations

1. **The committee recommended that the office of the Governor should prioritize full automation of their systems and provide status update within 90 days after adoption of this report.**
2. **The OAG should keep the matter in view the next audit cycle.**

2. Lack of Annual Recruitment Plan

The County Government recruited six hundred and forty-one (641) officers during the year under review. However, the Departments did not have annual recruitment plans to guide the recruitment.

In the circumstances, the effectiveness of internal controls in human resource management could not be verified.

Management Response

The management had frozen recruitment due to high wage bill and only recruited replacements of officers who had exited service. However, it has now embarked on the preparation of annual recruitment plan as advised.

Committee Observation

The recruitment of 641 officers without approved annual recruitment plans hindered the ability to verify the effectiveness of internal controls in human resource management.

Committee Recommendations

3. **The Committee recommends that the County Public Service Board expedite development and approval of its staff establishment and a status report should be submitted to the Auditor General for verification and Senate within ninety (90) days of the adoption of this report.**
4. **the EACC undertakes investigations of the county officers involved in the recruitment of 641 officers with a view to establishing any breach of law and recommending criminal prosecution for loss of public money.**

3. Weaknesses in ICT Governance and Controls

An audit of the County's Information and Communication Technology (ICT) environment revealed multiple critical weaknesses indicating inadequate ICT governance, data protection, and systems control. The following anomalies were observed;

i. Lack of an Approved ICT Policy, there was no formally approved ICT policy to guide the development, deployment, use, and management of ICT resources within the County.

Management Response:

The management responded that it is in the process of updating the current ICT Policy.

ii. Use of Personal Email Accounts, staff were using personal email addresses for official communication, which undermines data security and organizational accountability.

As part of the new ICT Policy currently being finalized, a clear directive on Official Communication Channels will be enforced, mandating the use of corporate IDs for all government business.

iii. Absence of a Data Protection Policy, the County lacked a documented policy to ensure the collection, handling, storage, and sharing of data that complied with legal and regulatory data protection requirements.

The County recognizes the critical importance of data privacy and is committed to full compliance with the Data Protection Act (2020). We wish to clarify that data protection governance is being addressed through the following strategic actions: Policy Integration: Rather than a standalone document, the Data Protection Policy has been incorporated as a thematic pillar within the comprehensive ICT Policy currently under development. This ensures that data privacy is baked into our broader digital governance framework.

iv. Lack of System Integration, core operational systems including the bursary management system, hospital management system, finance system, and HR system were not integrated, resulting in data silos, inefficiencies, and duplication of efforts.

The County is engaging the relevant National agencies to rollout of integration modules.

V. No ICT Asset Register, there was no centralized and updated ICT asset register to track, manage, or safeguard ICT infrastructure and equipment.

The County maintains a centralized Asset Register however we are in the process of identification and decentralization of Assets to specific devolved units.

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v. No Centralized ICT Department; ICT functions were fragmented across departments, with no centralized oversight or coordination, limiting strategic ICT planning and control.

Management Response:

The County is actively consolidating ICT governance to eliminate fragmentation and ensure uniform standards across all departments. This is being achieved through both structural and technical interventions:

i. No Risk Assessment Policy, the County had not developed a risk assessment framework to identify, assess, and mitigate ICT-related risks.

ii. No Data Backup Mechanism, there was no formalized data backup process, exposing the County to the risk of data loss in the event of system failure, cyberattack, or accidental deletion.

Management Response:

While the formal policy documentation is being finalized, the County has already prioritized the technical implementation of data safeguards through our ongoing Digitalization Programme:

iii. No Disaster Recovery Plan, in the absence of a disaster recovery plan, the County lacked the capacity to restore operations promptly following system disruptions or disasters.

Management Response:

The Risk Assessment Framework, Data Backup Policy, and Disaster Recovery Plan are being developed as integrated components of the comprehensive County ICT Policy.

iv. No ICT Steering Committee, there was no ICT steering committee to provide oversight, strategic guidance, and decision-making on ICT investments and priorities.

Management Response:

ICT Steering Committee was officially launched to oversee the digitalization roadmap. This committee provides the necessary political and strategic buy-in to ensure ICT investments align with the County's development priorities. An appendix was attached to provide

Committee Observation

The County lacked an approved ICT Policy to guide ICT resource management, had no Data Protection Policy to ensure compliance with the Data Protection Act (2020), and operated without a centralized ICT Department, resulting in fragmented ICT functions, weak oversight, and limited strategic planning.

Committee Recommendation

1) The County Governor should put in place a ICT policy within sixty (90) days from the adoption of this report and submit the same to the Auditor General.

2) The Auditor General to closely monitor the development, documentation and communication of and communication of these policies within the county entity in the subsequent audit cycles The OAG to keep this matter in view the next audit cycle.

4. Lack of Comprehensive Fixed Assets Registers

Review of records revealed that the Management did not maintain an updated Fixed Assets Register which could have provided critical information including location of the assets, description, respective cost and serial numbers. The Register was also not completed to disclose the respective values of various assets acquired by the County such as land, construction and refurbishment of buildings, motor vehicles and other assorted assets.

Further, the County's twenty-six (26) Vocational Training Centres did not provide updated and complete Fixed Assets Registers, despite owning substantial assets, including buildings, furniture, and equipment. In addition, critical asset details such as descriptions, serial numbers, acquisition dates, values, physical locations, and operational status were either undocumented or unavailable, thereby hindering verification of ownership, existence, and valuation.

In the circumstances, the existence of an effective measure for control and custody of County Executive assets could not be confirmed.

Management Response

The management responded that it has an asset register which we are continuously updating as we await to receive the complete transfer of land; buildings and all other devolved assets from the Inter-Governmental Technical Relations Committee (IGRTC) including the ownership documents.

In addition, the government has further put in place a steering committee and a technical committee for the identification, valuation and tagging of all assets, after which each unit will be assigned their requisite assets to be put in their respective assets registers. Appendixes were attached.

Committee Observation

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Review of records revealed that the County Executive and its twenty-six (26) Vocational Training Centres did not maintain updated and complete Fixed Assets Registers. Consequently, key asset details such as descriptions, serial numbers, acquisition dates, values, and locations were not available, undermining effective asset management and control.

Committee Recommendation

The Committee recommends that; -

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

5. Lack of Valuation Reports and Ownership Documents

Review of records at Vocational Training Centres (VTC) revealed that, five (5) of the twenty-six (26) VTCs reviewed did not have title deeds for the parcels of land they occupied. Further, no valuation reports were made available for the assets.

Further, physical inspection carried out in July, 2025 revealed that land of unknown size at Kanja and Tenri VTCs had been encroached. A parcel of land at Kanorori VTC hosts two (2) National Government entities' residential houses and offices, despite the institution lacking playing grounds and adequate buildings for lecture halls and students' hostels.

In addition, twelve (12) Level 2 Hospitals reviewed had not secured title deeds for parcels of land occupied and their valuation reports were not provided for audit purposes.

In the circumstances, the existence and ownership of the property, plant and equipment held by the County could not be confirmed.

Management Response

The VTCs and health centers have requested to the Department of Lands to be issued with land usage documentation. However, some of the VTCs seat in land titled to the Primary School and those lands have a Circular from Ministry of Education that the titles

cannot be split, while health centers are on land whose ownership documents have not been transferred from the National Government since devolution.

In addition, the County has embarked on the process identification, valuation and registration of all its assets including hospital land, expected to be concluded in the current financial year period.

Committee Observation

The committee observed that ownership of County land assets remained unconfirmed due to missing title deeds for five VTCs and twelve hospitals, absence of valuation reports, and physical encroachment at two VTCs, with Kanorori VTC's land occupied by National Government entities instead of lecture halls and hostels.

Committee Recommendation

1. **The County Governor should proactively engage the Inter-Governmental Technical Relations Committee (IGRTC) and the National Land Commission (NLC) to expedite the formal transfer of ownership documents within 90 days after adoption of this report.**
2. **The OAG to keep this matter in view the next audit cycle.**

6. Failure to Tag Fixed and Movable Assets

Physical inspection carried out in June, 2025 on a sample of office desks, chairs, and desktops revealed that the items lacked location identifiers and asset tags. As a result, it was not possible to verify whether these assets were owned by the County Executive. This was contrary to Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015, which requires County Governments to maintain an up-to-date asset register that accurately records all fixed and movable assets.

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

Management Response

The management responded that it has plans to identify, and value all its assets with a view of confirming the true status of all its assets. The process is expected to be executed in the in the financial years 2025/2026 and 2026/2027. The tagging of assets identified will be done progressively in earnest. The government has put in place assets steering and technical committees for the identification, tagging and valuation of all its assets which will be executed in the current year. Appendixes were attached.

Committee Observations

The Committee observed that the County has not tagged its fixed and movable assets, contrary to Regulation 136(1) of the Public Finance Management (County Governments)

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Regulations, 2015.

Committee Recommendations

The Committee recommends that;

1) The County Governor to complete the physical verification and tagging of all high-value and movable assets and submit a status report to the Senate and Auditor-General within ninety (90) days date of adoption of this report.

2) The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years

7. Failure to Insure County Government Buildings

Review of the County Executive expenditure revealed that an amount of Kshs.189,117,557 was incurred as insurance costs. However, review of the insurance contracts revealed that the buildings did not have insurance cover. As a result, a section of the County Governors' building remained idle following extensive damage caused during the year 2024 riots. The lack of insurance coverage had hindered timely repairs and refurbishments due to high associated costs, leading the County Executive to incur additional expenditure on leased premises to sustain operations.

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

Management Response

The management responded that in line with audit observation, the County government has not attained the ownership documents to all the land parcels and buildings to help in processing the insurance policies.

Committee Observation

The committee observed that although the County Executive incurred Kshs.189,117,557 on insurance costs, the County buildings were not insured. Consequently, a section of the County Governor's building remained idle after being damaged during the 2024 riots, exposing the County to financial loss and additional expenditure on leased premises.

Committee Recommendations

1. **The committee recommends that the county executive should ensure that all County buildings and other significant public assets are adequately insured to safeguard them against risks such as fire, riots, and other unforeseen events, in accordance with the provisions of the Public Finance Management Act, 2012 and the Public Finance Management (County Governments) Regulations, 2015 within 90 days after adoption of this report.**
2. **The OAG to keep matter in view the next financial year.**

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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.8,533,542,551 and Kshs.7,063,683,632 respectively resulting in an underfunding of Kshs.1,469,858,919 or 17% of the budget. Similarly, the Fund made payments of Kshs.6,508,126,065 against an actual amount of Kshs.7,063,683,632 resulting in an under-expenditure of Kshs.555,557,567 of the actual receipts.

The underfunding and underperformance affected the implementation of planned activities, resulting in a negative impact on the delivery of services to the public.

Management Response

The management responded that The national treasury did not release the equitable share on time. Some of the releases came towards the tail end of the financial year. This coupled with inability of the County Receiver of Revenue to meet the local revenue targets resulted to the underfunding and underperformance.

Committee Observation

The Committee observed that the financial statements revealed an underfunding of Kshs. 1,469,858,919 (17% of the budget) and an under-expenditure of Kshs. 555,557,567 relative to actual receipts.

1. The underfunding was attributed to delayed disbursement of the equitable share by the National Treasury, a breach of the timely release requirements as contemplated within the framework of intergovernmental fiscal relations.
2. The underperformance in expenditure is directly linked to the failure by the County Executive to meet its own-source revenue targets. This failure contravenes the fiscal responsibility principles set out in the PFM Act, which require counties to optimize their capacity to raise revenue and manage their budgets prudently to ensure the implementation of planned activities and the delivery of services to the public.

Committee Recommendations

The Committee recommends that; -

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

2. Late Exchequer Disbursements

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects Exchequer releases amounting to Kshs.5,797,242,036. Review of the bank statements revealed that the equitable share amounting to Kshs.2,255,356,814 representing 39% of the total receipts was received later than the fifteenth day from the commencement of the last quarter of the financial year under review. This was contrary to Section 17(6) of Public Finance Management Act, 2012 which provides that The National
Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to county governments.

In the circumstances, the late disbursement of Exchequer releases may have affected the timely implementation of approved activities in the County, which may have impacted
negatively on service delivery to the public.

Management Response

The management responded that the Exchequer Disbursements are not released promptly as required. This affected the management of cash flows hence hindering efficient implementation of projects and activities in the County.

Committee Observation

The Committee noted that the County Executive experienced delayed exchequer releases by the National Treasury thereby hampering their budget implementation.

Committee Recommendations

The Committee recommends that:

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

3. Unspent Balances

The statement of cash flows reflects a cash and cash equivalents closing balance of Kshs.62,102,975 which relates to unspent cash balances as at 30 June, 2025. The County Government had trade and other payables amounting to Kshs.1,564,615,483 that remained unsettled. This was contrary to Section 149(1)(b) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is effective, efficient, economical and transparent.

Management Response

The management responded that the exchequer releases are disbursed late towards the tail end of the financial year. This affected the cash flow Planning for the funds. We have since put in place measures to prioritize settlement of pending bills with the unspent resources and approved budgets Financial Year 2025-2026.

Committee Observations

1. The Committee observed a gross failure in fiscal planning, evidenced by a cash and cash equivalents balance of Kshs. 62,102,975 coexisting with a monumental stock of pending bills totalling Kshs. 1,564,615,483. This situation violates the principle of prudent and responsible use of public money enshrined in Article 201(d) of the Constitution.

2. Furthermore, it constitutes a breach of Section 149(1)(b) of the PFM Act, 2012, which holds the Accounting Officer accountable for ensuring resources are used in an effective, efficient, economical, and transparent manner. The accumulation of pending bills while holding idle cash demonstrates ineffective budget execution and imposes an unfair burden on contractors and suppliers, which can cascade into economic distress.

Committee Recommendation

The Committee recommends that:

1. **The County Governor must immediately formulate and submit to the Senate, the County Assembly, Controller of Budget and the Auditor-General, a comprehensive Pending Bills Verification and Payment Plan within 60 days. This plan must prioritize verified bills, particularly those owed to micro, small, and medium enterprises, to mitigate the negative economic impact.**
2. **The Accounting Officer of the County Treasury is directed to reconcile the cashbooks and ensure that all future cash withdrawals from the County Revenue Fund are strictly aligned with a realistic cash flow plan and used to settle due and payable commitments**

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first, in compliance with Regulation 43 of the PFM (County Governments) Regulations, 2015.

3. **The Auditor-General review the implementation of the payment plan in the next audit cycle and report on any recurrence of this trend as an indicator of a persistent material breach under Section 94 of the PFM Act.**

4. Unresolved Prior Year Audit Matters

In the prior years' audit reports, two issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources.
Although the issues were discussed in the Senate and recommendations made, review of the implementation of recommendation during audit of the County Revenue Fund in 2024/2025 revealed that the recommendations remained unimplemented as summarized in the table below.

Report Reference	Recommendations	Status
That management reported using the proposed budget of Kshs.7,987,586,918 rather than the approved budget of Kshs.7,952,599,418.	Underfunding mainly resulting from the undisbursed exchequer release for the month of June 2024. This was compounded further by the late disbursement of grants which form part of the revenue in the resource basket	Not Implemented
	That the CECM for Finance and Economic Planning in collaboration with the CEO ECRA should adopt a more realistic approach when setting revenue projection targets	Not Implemented
	That CECM Finance and Economic Planning should always report using the approved budget estimates and not proposed estimates submitted to the County Assembly	Not Implemented

Management Response

The management responded that they sat with the County Assembly on the matters raised by the Auditor for the financial year 2023-2024. On matters Budgetary Control and Performance, we made the appropriate corrections and used the approved budget. The CECM Finance has engaged the CEO ECRA in preparation of the Budget Estimate for the Financial Year 2025-2026 in order to come up with more realistic estimates.

Committee Observations

1. The Committee is deeply concerned that the recommendations from the Auditor-General's report for the financial year 2023/2024, specifically regarding the use of the proposed instead of the approved budget and unrealistic revenue projections, remain unimplemented.

2. This persistent inaction is a violation of Section 53 of the Public Audit Act, 2015, which requires the Accounting Officer to take steps to implement the recommendations of the Auditor-General and the relevant parliamentary committee. Failure to resolve prior-year matters undermines the audit process, perpetuates systemic weaknesses, and reflects a disregard for legislative oversight and constitutional accountability.

Committee Recommendations

The Committee Recommends that—

1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Embu County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within ninety (90) days of the adoption of this report;

2. the account officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;

3. the County Executive engages with the Office of the Auditor-General to address and resolve any outstanding matters; and

4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

5. Excess Budget Provision to the County Assembly

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects transfers to the County Assembly of Kshs.753,412,694 which is
equivalent to eleven percent (11%) of the total County Revenue of Kshs.6,567,672,887. This was

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contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven percent (7%) of the total revenue of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.

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

Management Response

The management responded that the County Assembly exceeded their expenditure beyond the set limits. However, the County Assemblies have been in discussion over the same and an amendment to the County Public Finance Laws was assented to by the President on 13th August granting them autonomy from the County Executive

Committee Observations

1. The Committee observed that transfers to the County Assembly amounted to Kshs. 753,412,694, which is equivalent to 11% of the total County revenue of Kshs. 6,567,672,887. This is a direct and clear violation of Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which explicitly states that the approved expenditure of a County Assembly shall not exceed seven per cent (7%) of the total revenue of the County Government.

2. This breach indicates non-compliance with established fiscal responsibility principles aimed at ensuring equitable allocation of resources between the county assembly and the executive for the benefit of the county's citizens.

Committee Recommendations

1. **The County Executive Committee Member for Finance must strictly enforce the provisions of Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015, when formulating the budget estimates. The allocation to the County Assembly in future budgets must not exceed the 7% statutory limit.**
2. **The County Assembly, in exercising its legislative and oversight role under Article 185 of the Constitution, must ensure that its own budget is realistic, adheres to the legal limits, and prioritizes its core mandate of representation, legislation, and oversight. The Accounting Officer of the County Assembly is put on notice to comply with this fiscal ceiling.**
3. **The Office of the Auditor-General (OAG) to keep this matter in view in the next audit cycle and report on any recurrence of this breach as a qualitative indicator of financial mismanagement.**

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

Basis for Qualified Opinion

1.0 Inaccuracies in the Revenue Statements

The statement of financial position reflects total financial liabilities balance of Kshs.604,091,045 as disclosed in Note 22 to the revenue statements. However, recasting of Notes 22 to the revenue statements revealed a balance of Kshs.604,031,045 resulting in a variance of Kshs.60,000 which was not been explained or reconciled.

In the circumstances, the accuracy and completeness of total financial liabilities balance of Kshs.604,091,045 could not be confirmed.

Management Response
The above issue is noted and relates to a typo error, which was captured and disclosed in Note 22 to the revenue statements as Ksh. 412,513,540 instead of Ksh. 412,573,540.

Committee Observation
The Committee notes the Office of the Auditor-General (OAG) confirmed that the typographical error in Note 22, initially resulting in a Kshs. 60,000 variances, has been corrected by management. The issue is therefore resolved.

Committee Recommendation
The Committee recommends that the matter be marked as resolved. The County Executive is advised to strengthen its internal controls over financial statement preparation and review to prevent future occurrences of such errors, ensuring compliance with the accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) under Section 194 of the PFM Act.

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2.0 Unsupported and Irregularities in Revenue Collection Costs

Management awarded a contract to a local service provider for supply, delivery, implementation, customization and commissioning of a revenue collection and management automation system for the County Government of Embu for a period of five (5) years. The contract commenced on 6 April, 2018 and was to expire on 5 April, 2023.

However, Management signed a second addendum to the contract for revenue management system on 30 September, 2019 covering up to 5 April, 2023. Review of records revealed that between the period of 6 April, 2023 to 18 November, 2024 the County collected revenue using an expired contract.

On 19 November, 2024, the contract was extended and backdated to cover the period from 7 April, 2023 to 5 October, 2025. However, payment records for these periods were neither disclosed nor provided.

During the year under review, audit examination of payment records revealed that the County Executive paid an amount of Kshs.3,000,000 to same service provider vide Local Purchase Order (LPO) No. 66 and 76, approving the extension of three (3) months from October, 2025 to January, 2025. However, evidence of recommendation from the evaluation committee for a second extension was not provided for audit review. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act (PPADA).

The basis for the payment of Kshs.3,000,000 was not disclosed. No evidence of tax payment to Kenya Revenue Authority was provided.

On 25 April, 2025 the County Government Management signed a contract to acquire a new revenue system at a contract sum of Kshs.37,120,000 and an amount of Kshs.8,742,644 had been paid. However, Management did not provide handover reports from the initial service provider in terms of all invoices raised, commissions paid and hand over reports on termination of the contract in respect to fulfillment of obligations. This hindered reconciliation and confirmation of the total County own source revenue declared in the revenue statements.

In the circumstances, the regularity of the contract and accuracy and completeness of the contract extension amount of Kshs.3,000,000 could not be confirmed.

Review of records established that during the year, Management paid an amount of Kshs.3,000,000 to a local company for an extension of a contract for the supply, delivery, implementation, customization, and commissioning of a revenue collection and management automation system. The contract expired on 06 April, 2023 but had not been extended. However, Management issued Local Purchase Orders. No. 66 and 76, approving the contract

extension without a formal recommendation from the Tender Evaluation Committee. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act, 2015 which sets the contractual obligations to a contractor after a procurement process is completed. Further, records show that the County Government was already in the process of acquiring a new revenue system at a contract sum of Kshs.37, 120,000 and an amount of Kshs.8,742,644 had already been incurred towards acquiring the new revenue system. In the circumstances, Management was in breach of the law.

Management Response

The Embu County Government acquired a Revenue Collection and Management Automation System under a contract executed on 6th April 2018 for a period of five (5) years, which lapsed on 6th April 2023. In accordance with Clause 5, Sub-Clause 6.1.3(B) of the Second Addendum to the Contract, ownership of the system was granted to the County Government upon expiry of the contract was provided.

However, at the time of contract expiry, the County Government lacked the requisite ICT infrastructure and technical capacity, including servers and related system-hosting capabilities, to independently host and manage the system. Consequently, and in order to ensure continuity of revenue collection and avoid disruption of services, Management allowed the service provider to continue hosting and supporting the system on an interim basis while the County worked towards establishing the necessary internal capacity. This arrangement covered third-party system services required for the continued operation of the Revenue Management System and was documented through internal approvals by the ECRA Board (Minute extract attached (Annex 2)).

Further, Management noted that the existing system could not meet the evolving operational and efficiency requirements of the County Government. As a result, the process of procuring a new Revenue Management System was initiated, which was already underway during the period under review.

Committee Observation

1. The Committee observes that the County Government's actions regarding the revenue automation system contract were irregular and unlawful. By allowing a contractor to provide services under an expired contract from 6th April 2023 to 18th November 2024 and by subsequently extending and backdating the contract, Management violated the stringent procurement procedures mandated by the **Public Procurement and Asset Disposal Act (PPADA), 2015**.

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2. Further, the payment of Kshs. 3,000,000 for this extension was made without a recommendation from the Tender Evaluation Committee and without evidence of tax remittance to the Kenya Revenue Authority, contravening **Section 139(1)(2) of the PPADA**. This conduct also breaches the principles of public finance under **Article 201 of the Constitution**, specifically those of openness, accountability, and prudent use of public money.

Committee Recommendation

The Committee recommends that:

1. **The County Executive Committee member for Finance ensures that all future procurement and contract management complies strictly with the PPADA, 2015.**
2. **The County Executive develop and implement a comprehensive contract management policy to prevent the use of expired contracts and ensure all extensions are procedurally sound.**
3. **The County Governor submits a status report on the implementation of these recommendations, including the finalization of the new revenue system handover and reconciliation of all payments made, to the Senate and the Auditor-General within ninety (90) days of the adoption of this report.**

3.0 Unsupported Long Outstanding Revenue Arrears

The statement of financial position and references to Note 16 to the revenue statements reflects Nil and Kshs.587,480,810 in respect to comparable and current revenue receivables balance respectively. However, the prior year audited revenue statements disclosed land rate arrears of Kshs.412,573,540 which were not disclosed in current statement as an opening balance. Further, Note 16 to the revenue statements reflects total accruals from FIF which includes previous year arrears of Kshs.412,573,540 which are incorrectly classified under accruals from FIF instead of Land rates arrears. The previous year's balance of Kshs.412,373,540 was not supported by ledger and ageing analysis.

In the circumstances, the accuracy and completeness of revenue receivables balance of Kshs.587,480,810 could not be confirmed.

Management response:

The management has further acknowledged the issue above; however, the period of comparison is nil since, from FY 2024/2025, the entity is reporting on an accrual basis, whereas in FY 2023/2024 the entity applied the cash basis of reporting. Consequently, Note

16 was subsequently reclassified to reflect total accruals from both the FIF and own-source revenues.

Committee Observation

The Committee observes that the County failed to provide a proper opening balance for land rate arrears in its financial statements, incorrectly classifying prior year arrears of Kshs. 412,573,540 under "FIF accruals" rather than as land rates. This lack of a supported and aged ledger for receivables contravenes **Regulation 104(1) of the PFM (County Governments) Regulations, 2015**, which requires the maintenance of proper books of accounts and records relating to revenue. This failure impairs the transparency and accuracy of the financial statements as required by **Article 226 of the Constitution**.

Committee Recommendations

The Committee recommends that:

1. **The County Treasury, led by the County Executive Committee member for Finance, establishes a task force to immediately compile a complete and aged ledger for all land rate arrears.**
2. **The County Executive develops a clear policy for the recovery of these long-outstanding arrears, utilizing the legal provisions in the Finance Bill, 2025, and any relevant county legislation.**
3. **The Auditor-General is requested to follow up on this matter in the subsequent audit to confirm the existence and accuracy of the arrear's ledger.**

4.0 Unsupported Liquor Charges

The statement of comparison of budget and actual amounts reflects actual total County Own Sources Revenue amount of Kshs.401,914,716 which includes liquor amount of Kshs.42,954,101. However, the revenue was not supported by a register of the liquor joints and the applied rates.

Further, the County did not have in place an Alcoholic Control Board instead the functions of the Board are performed by an Ad hoc Committee. This was against the provisions of Section 4 (1) of the Embu County Alcoholic Drinks Act, 2021 which provides that a Board is to be established known as the Embu County Alcoholic Control Board.

In the circumstances, the accuracy and completeness of the revenue raised from the liquor licenses totaling Kshs.42,954,101 could not be confirmed. Further, Management was in

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breach of the law.

Management response:

The issue above remains outstanding, as the County does not yet have an Alcoholic Control Board in place; however, the matter is being expedited, and management is fast-tracking the establishment of the Board for the FY 2025/2026 liquor licensing process. During FY 2024/2025, schedules were provided in relation to the registers of liquor outlets and the rates applied.

Committee Observation

The Committee observes that the collection of Kshs. 42,954,101 in liquor license revenue was irregular and unsupported. The County's failure to establish the Embu County Alcoholic Control Board, as mandated by **Section 4(1) of the Embu County Alcoholic Drinks Act, 2021**, and its reliance on an ad hoc committee, is a direct violation of county law. This contravenes **Article 10 of the Constitution** on national values and principles of governance, which includes the rule of law. Furthermore, the lack of a liquor outlet registers and applied rates undermines the financial controls required by **Regulation 62 of the PFM (County Governments) Regulations, 2015**, making it impossible to confirm the accuracy and completeness of the revenue.

Committee Recommendation

The Committee recommends that:

1. **The County Governor, as the head of the County Executive, takes immediate steps to constitute and gazette the Embu County Alcoholic Control Board, as required by law.**
2. **Once established, the Board ensures that a comprehensive register of all liquor outlets is created and that all license fees are accurately assessed, collected, and remitted to the County Revenue Fund.**
3. **The County Executive submits a status report on the establishment of the Board and the status of liquor license revenue management to the Senate within sixty (60) days of the adoption of this report.**

5.0 Unsupported Land Rates

As previously reported, the statement of revenue and disbursements and as disclosed in Note 2 to the revenue statements reflects an amount of Kshs.14,995,910 (2023/2024-Kshs.25,213,018) in respect of land rate. However, the amount was not supported with an updated valuation roll for the four (4) Sub-Counties detailing the plot owners, plot numbers,

location, plot value, and land rates payable per year. Further, Management did not provide records of invoicing and detailed ledger to show the amount of land rates invoiced, amount received and outstanding balance as at 30 June, 2025.

In addition, the County Government relied on a 2016 draft valuation roll to collect plot rent and land rates revenue.

In the circumstances, the accuracy, completeness and regularity of land rates amounting to Kshs.14,995,910 could not be confirmed.

Management response:

The County is currently in the process of enacting a new valuation roll, following the passage of the Embu County Rating Act by the County Cabinet, a key prerequisite for the exercise. This process is being undertaken through the Department of Land, Housing, Physical Planning, and Urban Development. The new valuation roll is intended to update and standardize property values across the County, ensuring accurate assessment and equitable property rating and taxation.

Committee Observation

The Committee observes that the collection of Kshs. 14,995,910 in land rates was irregular and unsupported. The County's reliance on an outdated 2016 draft valuation roll is contrary to **Section 209(3) of the Constitution**, which allows counties to impose property rates. An outdated roll does not provide a fair and equitable basis for taxation. Furthermore, the failure to provide invoicing records and detailed ledgers violates **Regulation 63(1) of the PFM (County Governments) Regulations, 2015**, which holds the accounting officer personally responsible for ensuring adequate safeguards exist for the prompt collection and proper accounting of all revenue.

Committee Recommendations

The Committee recommends that;

1) **The County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.**
2) **The Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of**

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Public Prosecutions for prosecution.

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

6.0 Misclassified Public Health Revenue

The statement of revenue and disbursements reflects disbursements to County Revenue Fund amount totaling Kshs.442,359,051. This amount includes revenue Kshs.18,704,388 in respect to Public Health Department revenue which was collected and retained in Health Facility and not transferred to County Revenue Fund.

In the circumstances, the accuracy and completeness of disbursements to County Revenue Fund amount of Kshs.442,359,051 could not be confirmed.

Management Responses:

The County collected Kshs. 20,431,829 under Public Health, rather than Kshs 18,704,388 as indicated in the report. This revenue was collected under the Facility Improvement Fund (FIF) account, which is independent of the County Revenue Fund (CRF) that collects own-source revenue. Consequently, the amount was not included in the County Revenue Fund total of Kshs. 442,359,051.

Committee Observation

The Committee observes that Kshs. 18,704,388 collected by the Public Health Department as Facility Improvement Funds (FIF) was misclassified as County Revenue Fund (CRF) transfers. This error indicates a weakness in the reconciliation process between the Department of Health and the County Treasury. While the money was collected under the correct legal framework (FIF), its incorrect presentation in the financial statements contravenes the principle of accurate financial reporting mandated by **Article 226 of the Constitution** and the standards set by the PSASB under **Section 194 of the PFM Act**.

Committee Recommendation

The County Executive should establish a mandatory reconciliation framework between the Department of Health's Facility Improvement Fund (FIF) records and the County Revenue Fund (CRF) reporting system to ensure all health facility revenues are correctly classified as "Appropriation in Aid" in quarterly and annual financial

statements, in compliance with Regulation 30(3) of the PFM (County Governments) Regulations, 2015, and submit a status report to the Senate and the Auditor-General within 90 days of adoption of this report.

7.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.1,546,792,250 and Kshs.919,665,412 respectively resulting in an unrealized revenue of Kshs.627,126,838 or 41% of the budget.

Further, review of the receiver of revenue records indicated that six revenue streams reported nil revenue collections budgeted at Kshs.179,990,401 for the entire financial year.

The underperformance in revenue collection affected the implementation of planned activities thereby resulting to a negative impact on the delivery of services to the public.

My opinion is not modified in respect of this matter.

Management Response:

The issue has been noted by management. The Commission on Revenue Allocation (CRA) had provided a revenue potential of Ksh 1.4 billion, and the Agency was confident in its ability to realize and even surpass this potential. However, this target was not achieved due to several challenges, including orchestrated demonstrations, traders' boycotts, and pending policies required to fully actualize revenue collection.

In response, the Agency has put in place measures to ensure that all budgeted and approved revenue is collected by the County Government. These measures include, but are not limited to, the enactment of new policies and the gazettement of new areas, ensuring that the County fully leverages its revenue potential in a sustainable and systematic manner.

Committee Observation

The Committee observes that the County's revenue underperformance of 41% (Kshs. 627,126,838) against a budget of Kshs. 1.5 billion, including six revenue streams with nil collections, is a significant failure in financial planning and execution. This directly impacts the County's ability to implement its development plans and deliver services, contrary to the objects of devolution under **Article 174 of the Constitution**. This underperformance also indicates a failure to adhere to the fiscal responsibility principles set out in **Section 107 of the PFM Act**, which require prudent and effective financial management.

Committee Recommendation

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The Committee recommends that:

1) **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and**
2) **The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.**

8.0 Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveal that, two (2) issues were raised under the Report on Financial Statements, three (3) issues under Report on Lawfulness and Effectiveness in Use of Public Resources and two (2) issues under Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Receiver of Revenue as at 30 June, 2025 revealed that, the unsupported land rates and unsupported long outstanding revenue arrears remained unresolved.

Management Response

The County is currently in the process of enacting a new valuation roll, following the passage of the Embu County Rating Act by the County Cabinet, a key prerequisite for the exercise. The management extracted the outstanding arrears of Kshs. 412,573,540 as it appeared from the E-revenue system which was subject to validation. Measures have been put in place through the Finance Bill, 2025, which provides the legal framework for enforcing the collection of rates and arrears. The implementation of these measures will be further facilitated upon the approval of the valuation roll and the Rating Act.

Committee Observation

The Committee observes with concern that despite prior audit recommendations, the issues of unsupported land rates and unsupported long-outstanding revenue arrears remain unresolved. This persistent failure to address audit queries is a direct contravention of **Section 53 of the Public Audit Act, 2015**, which requires the accounting officer to take steps to implement the recommendations of the Public Audit Committee. This undermines accountability and the principles of good governance enshrined in **Article 10 of the Constitution**.

Committee Recommendations

The Committee recommends that;

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

8.0 Lack of Budget Allocation for Enforcement Operations

Review of the enforcement function revealed that the County operated without a dedicated operational budget resulting in inadequate logistic support, enforcement officers lacked basic tools and transport including motorbikes, mobiles, road spikes and impounding vehicles. This omission was contrary to Regulation 29 (2) (a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officer shall ensure that in the budget preparation, the Accounting Officer should ensure that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the County Government entity during the financial year.

In the circumstances, these deficiencies compromised the overall effectiveness of enforcement activities, limited operational coverage and exposed the County to significant revenue leakages.

Management Response

During the FY 2024/25, the Authority operated under a constrained budget that was insufficient to adequately support critical ECRA operations, particularly enforcement activities. As a result of these limitations, the Agency adopted Rapid Response Initiatives (RRIs), including enforcement crackdowns and intensified field visits, as cost-effective measures to sustain revenue collection and compliance.

In the current FY 2025/26, these budgetary constraints have been substantially addressed through the provision of dedicated budgetary allocations for enforcement operations. The enhanced funding is intended to strengthen enforcement mechanisms, sustain expanded field operations, and improve compliance, thereby enhancing operational efficiency and revenue

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performance.

Committee Observation

The Committee observes that the County's enforcement operations lacked a dedicated operational budget, resulting in inadequate tools and transport. This omission is a direct violation of **Regulation 29(2)(a) of the PFM (County Governments) Regulations, 2015,** which mandates that an accounting officer ensures all reasonably foreseeable services are included in the budget estimates. This failure compromised the effectiveness of revenue collection and exposed the County to revenue leakages, which is inconsistent with the principle of efficient and effective use of public resources under **Article 201 of the Constitution.**

Committee Recommendation

The Committee recommends that the County Governor, through the County Executive Committee member for Finance, must ensure a distinct and adequate "Revenue Enforcement and Compliance Operations" budget line (Vote Head) is established within the County's annual budget to fund specialized equipment and operational mobility, in full compliance with Regulation 29(2)(a) of the PFM (County Governments) Regulations, 2015.

9.0 Failure to Collect Revenue from the Social Halls

The County Government operated five (5) active social halls namely; Dallas social hall, Gikuuri social hall, Embu social hall, Talent academy hall and IEBC social hall. During the year under review, IEBC and Talent academy social halls generated revenue amounts of Kshs.120,000 and Kshs.206,000 respectively, resulting to total revenue of Kshs.326,000 as reflected in the financial records maintained by the County for the year under review.

However, no explanation was provided by the County Management on why the revenue generated by the remaining three (3) social halls namely, Dallas, Gikuuri and Embu social halls was not banked to the County revenue account but used by communities at source. This was contrary to Regulation 80 (1) of the Public Finance Management (County Government) Regulations, 2015 which provides that the County Treasury shall administer the County Revenue Fund in accordance with the Constitutional provisions in Article 207 and 209 (3) and (4) in controlling revenue receipts to ensure that (a) all revenue receipts by the County Government are paid into the County Exchequer Account, except receipts reasonably excluded by the Act, or any other Act of Parliament or an Act of County Assembly; and (b) withdrawals.

Physical inspection of Dallas Social Hall revealed that, the hall was constructed on a road reserve. Further, there were no approvals from both the National and County Government for construction. In addition, management of the hall was under the community whose revenue was channeled in a private family bank account. Approvals for opening and signatories of the bank account were also not provided for audit review. Management did not provide information on the other two halls whose revenue collection was neither disclosed nor accounted for.

Audit also revealed that, the County did not have any policy on handover of activities of halls to the communities after the constructions. Therefore, the basis of communities owning and collecting revenues from the halls could not be confirmed.

In the circumstances, Management was in breach of the law and the accountability of revenue collected from the halls could not be confirmed.

Management Response

The Department acknowledges the audit observations regarding the management and accountability of revenues from County social halls.

1) Gikuuri social hall- This facility is still under construction and has not yet become operational, hence no revenue was generated from the facility during the year under review. The current year's budget 2025/2026 has a budget for completion of the hall.
2) The Dallas Hall is under the management of local community committees established prior to the current administration/ devolution. As such, the community committees were engaged to support operations, ensure proper maintenance, and safeguard County property from vandalism or misuse as witnessed previously before the facility was fully renovated by the current administration. The said facility is not charged per say but instead the users cater for cleaning and maintenance fee which is channeled through the committees for coordination.
3) Embu social hall - Embu Social Hall, located within the town center, is mainly utilized by government departments for official meetings and activities. The facility is considered a government establishment, Additionally, the hall has not been commercially viable due to inadequate furniture, limited maintenance, and availability of alternative modern facilities nearby which offers better amenities and is freely accessible to the public.

To address the issue, the Department, in collaboration with the County Treasury, has initiated corrective measures including development of a draft policy framework to guide community participation and define clear modalities for management of County social halls. The draft policy has already been developed ready awaiting budget allocation to kick start the other processes.

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Committee Observation

The Committee observed that revenue from three social halls was not banked, its management was irregular, and the County lacks a policy governing hall operation.

Committee Recommendations

The Committee recommends that;

1) **The County Executive should finalize and submit the "Zero Draft Policy" to the County Assembly for approval and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.**
2) **The County Executive should ensure that all future revenue collections at the social halls are integrated into the County's automated revenue system to eliminate manual handling and "at-source" expenditures.**
3) **The County Executive should identify and close all private accounts associated with Dallas Social Hall and transfer the balances to the Embu County Revenue Fund, and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.**
4) **The Auditor General to keep the matter in view in subsequent audit cycle.**

10.0 Collection of Revenue Without a Finance Bill and Revenue Streams Policies

During the year under review, the Management collected own-source revenues without a Finance Bill 2024. This was contrary to Section 132 of the Public Finance Management Act, 2012, which provides that, each financial year, the County Executive Member for Finance shall, with the approval of the County Executive Committee, make a pronouncement of the revenue raising measures for the County Government and that not later than ninety days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments. Further, Commissioner on Revenue Allocation requires that all revenue streams should have policy documents in place, however, the Management did not provide any policy for audit review.

In the circumstances, effectiveness of controls on optimum revenue collections could not be confirmed.

Management Response

During FY 2024/25, the Authority operated without an updated Finance Act, as the Finance Act, 2024 had not been enacted. Consequently, the Agency relied on the Finance Act, 2019 to administer revenue collection. However, in response to emerging and evolving revenue

streams, the Authority expedited the review process, culminating in the enactment of the Finance Act, 2025. The updated Act now serves as a critical instrument intended to ensure the full realization of the County's revenue potential through improved alignment with current economic Activities

In addition, the Agency initiated a comprehensive exercise to identify, formulate, and develop critical policies across all revenue streams, in collaboration with the respective parent departments. This ongoing initiative is aimed at strengthening governance, enhancing revenue administration, standardizing operational procedures, and supporting sustainable revenue growth across the County. The initiative has been coordinated by the County Secretary, as annexed in the memorandum dated 18th July, 2025 analyzing (Annex 3).

Committee Observation

The Committee observes that collecting revenue without an approved Finance Bill for FY 2024/25 is a serious breach of the law. This action violates **Section 132 of the Public Finance Management Act, 2012**, which requires the County Executive Committee member for Finance to make an annual pronouncement of revenue-raising measures, leading to a Finance Bill. Relying on an outdated 2019 Act to collect revenue for new or existing streams undermines the legality and effectiveness of the County's revenue systems and contravenes the principle of lawful administration under **Article 10 of the Constitution**.

Committee Recommendation

The Committee recommends that:

1. **The County Executive Committee member for Finance complies strictly with Section 132(2) of the PFM Act by submitting the County Finance Bill to the County Assembly simultaneously with the annual budget estimates.**
2. **The County Assembly must, pursuant to Section 133 of the PFM Act, ensure the Finance Bill is considered and passed within the stipulated timeline (ninety days after passing the Appropriation Bill) to provide a current and legal framework for revenue collection.**
3. **The County Treasury expedites the finalization of all revenue stream policies to provide a clear administrative framework for each, in line with the advice from the Commission on Revenue Allocation (CRA).**

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CHAPTER THIRTEENTH

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

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

REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF BUNGOMA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/25.

Basis for Qualified Opinion

1. Unconfirmed Property, Plant and Equipment Opening Balance

The statement of financial position and as disclosed in Note 15 to the financial statements reflects opening statement balance as at 1 July, 2024 for property, plant and equipment of Kshs.509,803,798. The balance includes land balance of Kshs.6,064,000, motor vehicles of Kshs.15,987,626, equipment and other machinery of Kshs.7,003,250, furniture and fittings of Kshs.19,693,515, computers and ICT equipment of Kshs.13,973,860 and work-in-progress of Kshs.447,081,547. However, the balances were not supported by an updated non-current asset register.

In the circumstances, the accuracy and completeness of property, plant and equipment opening balance of Kshs.509,803,798 could not be confirmed.

Management Response

i. Non-Current Asset Register.

Management is still updating the asset register of opening balance of non-current assets as indicated in the draft asset register in appendix 1a. IPSAS 45 on Property, Plant and Equipment allows a first-time adopter a period of up to three years from the date of adoption of IPSASs to fully comply with non-current asset reporting and disclosure. The attached accrual transitional guidelines issued by National Treasury have further allowed entities a period of three years to fully report and account for non-current assets.

ii. Asset Management Unit

To strengthen the institutional capacity in asset management, an Assets Management Committee and a Unit has been established. The committee has been mandated to ensure a complete asset register is in place by 30th June, 2026. Attached is a letter appointing the committee and Head of Assets Unit.

iii. **Inter-Governmental Relations Technical Committee**

Management is also waiting for the Inter-Governmental Relations Technical Committee Report and gazettement of specific asset classes to be transferred to the County Government. This will enable preparation of a full assets register and comply with the National Treasury deadline of 30th June 2027.

Committee Observation

The Committee observed that the accuracy and completeness of the property, plant, and equipment opening balance of Kshs. 509,803,798 could not be confirmed due to the lack of a comprehensive and updated non-current asset register. While the management cited transitional provisions under IPSAS 45, the failure to maintain a proper register at the time of the audit constitutes a breach of the fundamental duty of an accounting officer to ensure proper control over public assets.

This failure contravenes:

1. Section 149 (1) of the PFM Act, Cap 412A, which mandates an accounting officer to ensure resources are used in a way that is lawful, authorized, effective, efficient, economical, and transparent.
2. Regulation 136 of the PFM (County Governments) Regulations, 2015, which requires the Accounting Officer to be responsible for maintaining a register of assets under their control.
3. Regulation 22 (1) (c) of the PFM (County Governments) Regulations, 2015, which obligates the Accounting Officer to prepare financial reports that reflect a true and fair view of the financial position.

Committee Recommendation

The Committee recommends that; -

The Committee recommends that the County Governor ensures the completion and maintenance of a detailed non-current asset register, in accordance with Regulation 136 of the PFM (County Governments) Regulations, 2015, and provides the verified register to the Office of the Senate and the Auditor-General (OAG) within ninety (90) days after the adoption of this report.

2. Unconfirmed Trade and Other Payables Balance

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The statement of financial position reflects trade and payables balance of Kshs.4,469,304,080 as at 30 June, 2025 and as disclosed in Note 16 to the financial statements. However, the balances for the identified categories of payables classified as trade payables, employees' payables, and third-party payables were not supported by payables ledgers detailing invoice dates and amounts, payment amounts and outstanding balances. Further, the balance includes an amount of Kshs.32,407,357 for Kenya Power Company's electricity power bills. However, the amount differs with an amount of Kshs.42,717,024 reflected in the records of Kenya Power Company. The resultant variance of Kshs.10,309,667 has not explained or reconciled.
Additionally, the statement of financial position reflects an opening balance of Kshs.3,774,932,718 as at 1 July, 2024 for trade and other payables as disclosed in Note 16 to the financial statements. However, the circularization of suppliers, and a reconciliation of obtained statements to their records to ensure completeness was not provided for audit review.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.4,469,30,079 as at 30 June, 2025 could not be confirmed.

Management Response

Management responds as follows:

i. **Payables Ledgers**

The ledgers have been provided but are not complete due to missing invoice numbers. Management has requested for this information from all the trade creditors. Attached is an appendix 2e of the notice to confirm balances and provide additional details.

ii. **Reconciliation of Power Bill**

Management has been making efforts to ensure the balance due to Kenya Power is reconciled. Management requested Kenya Power to provide details of metres with accrued bills on 10th February, 2025. Attached is a delivery note. No response was received from Kenya Power. A reminder was done on 15th July, 2025. Kenya Power did not respond to this reminder. Management has again done a reminder to Kenya Power to provide details of meter numbers with accrued power bills to enable reconcile the variance of Ksh. 10,309,667.

iii. **Circularization of Trade Creditors**

Management has done a Newspaper Advertisement requesting all trade creditors to confirm their balances. This was informed by the fact that most creditors have changed their physical addresses, emails and phone numbers. The attached notice to creditor

Committee Observation

The Committee observed that the accuracy and completeness of the trade and other payables balance of Kshs. 4,469,304,080 could not be confirmed. Management failed to maintain proper payables ledgers, reconcile discrepancies with creditors like Kenya Power, and circularize suppliers. This constitutes a failure in financial management and accountability

Committee Recommendations

The Committee therefore recommends that:

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

The Committee further recommends that—

i. **pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing**

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payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;

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

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

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

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

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

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

3.Unsupported Staff Medical Insurance Costs

The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.4,159,662,691 which, as disclosed in Note 9 to the financial statements includes insurance costs amount of Kshs. 231,258,275. The insurance costs include an amount of Kshs.200,000,000 paid to an insurance broker for staff medical insurance. Verification of the contract document revealed that the County Executive engaged the insurance broker for provision of staff medical insurance cover for two years starting 16 February, 2023 at a contract sum of Kshs.599,721,288 with a premium amounting to Kshs.299,860,644 per year.

The insurance cover lapsed on 16 February, 2025. However, Management did not provide for audit documents to show the full details of the policy including the list of names of employees covered and number of dependents of each employee and their age, the medical cases claimed and paid during the year and the cases claimed and not paid during the year. Also, Management did not provide the details of the total payments paid in respect to this contract. Further, Management did not provide insurance cover for staff for a period from February to June, 2025

In the circumstances, the regularity, accuracy and completeness the staff medical insurance

costs amounting to Kshs.200,000,000 could not be confirmed.

Management Response

Management stated that:

i. **Lapse of insurance cover on 16 February, 2025**

The County Executive had budgetary challenges after the cover lapsed. Management however procured a new medical insurer from 1st July, 2025 as per the attached policy cover. The new policy aligns the contract period with the Financial Year to avoid a situation where the cover lapses mid-year.

Appendix 3a: New medical Insurance Policy Cover

ii. **Details of payment**

Management has provided the details of the total payments in respect to this contract as per attached IFMIS payment ledger.

iii. **Full details of the policy**

Management has provided full details of the policy including the list of names of employees covered and their age as indicated under appendix 3c.

iv. **Medical Cases Claimed**

Management has now provided all the details about the medical cases claimed and paid during the year, cases claimed and not paid and dependents of each employee. Management had requested for this information from the insurer who at the time of audit had not submitted the same.

Committee Observation

The Committee observed that the regularity, accuracy, and completeness of staff medical insurance costs amounting to Kshs. 200,000,000 could not be confirmed. The management failed to provide full policy details, a list of covered dependents including their ages, and a detailed schedule of claims paid and not paid. Furthermore, there was a lapse in insurance cover for several months, exposing the county and its employees to significant risk.

Committee Recommendation

The Committee recommends that—

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

2. **The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s) against the responsible officer(s) for gross negligence in the conduct of professional duties**

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which constitutes a professional misconduct pursuant to section 8 (a) and 30 of the Accountants Act CAP 531; and

3. **That the EACC undertakes investigations with a view to establishing if there was any loss of public funds and if so, determining the officers responsible for the loss of public funds for the purposes of criminal prosecution.**

4. Long Outstanding Imprests

The statement of financial position reflects an amount of Kshs.153,328,772 for receivables from exchange transactions as disclosed in Note 13 to the financial statements. Included in this amount is Kshs.25,969,390 for outstanding imprests balance. The Management has indicated that imprests amounting to Kshs.7,681,650 are currently under investigation by Ethics and Anticorruption Commission (EACC), Kshs.6,114,580 is held by Officers who exited the service and Kshs.12,173,160 was submitted for recovery. However, no explanation was provided for failure to comply with regulation 93(5) of the of the Public Finance Management (County Governments) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

In the circumstances, the accuracy and recoverability of the outstanding imprests amounting to Kshs. 25,969,390 could not be confirmed.

Management Response

Management stated as follows:

i. **Imprest under investigation by EACC – Ksh. 7,681,650**

The Commission requested for original imprest surrender documents on 15th March, 2019. Management has made several attempts to the Commission to provide copies of the documents for surrender. The first request was made to EACC on 16th September 2024. A reminder was again made on 21st October 2025. Management has not received any response from the Commission. Attached is a letter from EACC requesting for documents. The letters to EACC to submit documents for surrender are attached in the appendices.

ii. **Imprest owed by officers who left service – Ksh. 6,665,240**

Management has done demand notices to the officers. The notices have since expired without any response from them. The county Executive has filed plaint for imprest recovery from these ex-officers.

Appendix 4d: Demand Letters to Ex Officers Appendix 4e: Plaint and Verifying Affidavit

iii. **Imprest of Kshs.9,770,500 submitted for recovery**

Management has instituted payroll recovery of unsurrendered imprest issued to officers who failed to account for imprest within seven (7) working days. Attached are copies of officers' payslips. The officers involved had no convincing explanation for delay to surrender the issued imprest. This necessitated management to institute recovery from payroll.

iv. **Surrendered Imprest - Ksh. 1,215,400**

Three officers have surrendered imprest of Ksh. 1,215,400 as per the attached copies of payment vouchers. Initially, these imprests were on payroll recovery.

Committee Observation

The Committee observed that the accuracy and recoverability of the outstanding imprests amounting to Kshs. 25,969,390 could not be fully confirmed. While recovery efforts are ongoing, the existence of long-outstanding imprests indicates a failure in internal controls.
This is a direct violation of:

1. Regulation 93(5) of the PFM (County Governments) Regulations, 2015, which requires a holder of a temporary imprest to account for or surrender it within seven (7) working days after returning to duty station.
2. Regulation 210 (k) of the PFM (County Governments) Regulations, 2015, which classifies the failure to provide information on financial management as an offence of financial misconduct.

Committee Recommendation

That the EACC to provide an update on the investigation undertaken to ensure recovery of the funds with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of regulation 210 (k) of the Public Finance (County Governments) Regulations, 2015.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis amounts of Kshs.13,633,044,511 and Kshs.11,188,343,410 respectively resulting to an under-funding of Kshs.2,444,701,100 or 18% of the budget.

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Similarly, the County Executive expended Kshs.10,849,255,026 against expenditure budget of Kshs. 13,633,044,511 resulting to under-expenditure of Kshs.2,783,789,485 or 20% of the budget.

In the circumstances, the under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

The opinion of the Auditor-General is not modified in respect of this matter.

Management Response

Management responded as follows:

i. **Underfunding of Ksh. 2,444,701,100**

This was caused by:

a) Unremitted grants and donor funds.
b) Shortfalls in own source revenue collection during the year.

However, management confirms that donor funds amounting to Ksh. 553,267,890 were received after end of the Financial year as indicated below:

ii. **Under-expenditure of Kshs.2,783,789,485**

The County Executive received May and June exchequer allocations on 20th and 26th June, 2025. This was close to the end of the Financial Year. With the current long exchequer requisition process, it was impossible to absorb all the funds. Attached are bank statements indicating dates when the May and June exchequer from National Treasury were received.

iii. **Addressing shortfall in Own Source Revenue**

The County Executive has put in place the following measures to enhance own source revenue—

a) The County Executive has deployed a new management and more technical officers to the Revenue department. Management had noted a weak management team at the revenue department;
b) All revenue collectors have been put on performance management with regular review of performance against targets;
c) The department has procured thirty-three motor cycles to enhance field revenue supervision. A request to procure two new double cabin pick-ups to enhance mobility of revenue supervisors is in progress;
d) Management has approved Revenue Enhancement Strategies to address weak controls in revenue collection and reporting;
e) The County Government has earmarked cess collection points for gazettement to maximize revenues on Cess and Royalties;
f) County has commenced registration of all County tax payers and each tax payer to be assigned a tax identification number with assistance from

our Development Partners (KDSP II);

g) The County Government has engaged Market Management Committees, in collaboration with the Village administrators and Ward Revenue Officers to enhance revenue supervision and compliance;
h) The County Government will exchange information on requests and joint partnership with KRA, NTSA and Traffic department to enhance and enforce revenues;
i) County Government has established a Strategic Revenue Technical Team to review and advise on revenue strategy;
j) County Government is currently validating and verifying all plot owner's ownership documents, and creating a link to the National Land Registry;
k) County has established a tax arbitration and conflict management team to resolve tax related disputes; and
l) The County Government has re-structured most of its revenue streams to stop pilferage and enhance collection efficiency. Restructuring of market entry fees is underway.

Committee Observation

The Committee noted that;

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

The Committee recommends that;

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

Other Matters

Unresolved Prior Year Matters

Follow-up of the Auditor-General's recommendations for the previous financial year

2023/2024 revealed that several issues were raised as indicated below:

Management has indicated under the progress on follow up of Auditor's recommendations section of the financial statements that some issues were resolved, others partially resolved and while the rest were not resolved. Further, Management

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appeared for public hearing in the Senate where other recommendations were given for implementation. Audit verification of the Management responses and supporting documents revealed that the issues indicated as resolved were satisfactorily addressed while the issues not resolved were not satisfactorily addressed and therefore remain unresolved.

Committee Observation

The Committee observed that the Management had neglected to observe its duty towards accountability as expected under the provisions of Article 10 of the Constitution.

Committee Recommendations

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

Basis for Conclusion

1. **Excessive Wage Bill**

The statement of financial performance reflects total expenditure of Kshs.5,983,157,896 in respect to employee costs which represent 53% of the total revenue for the year amounting to Kshs.11,383,133,843.

This was contrary to regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that total expenditure on the wage bill for County Governments should not exceed thirty-five (35) percent of the County Government's total revenue.

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

Management Response

The wage bill of 53% was caused by the following factors:

i. Introduction of new statutory deductions that created new employer obligations - Housing Levy and National Social Security Fund (NSSF),

ii. Implementation of Salary Increments for the staff of the County Executive as per the SRC circular dated 10th August, 2023 and 10th November, 2023.
iii. Conversion of the terms of employment of 2,000 ECDE and teachers from contract to permanent in 2018. Their monthly salary increased from minimum of Ksh. 8,000 a maximum of Ksh. 32,000. Pre-primary education, village polytechnics, homecraft centres and childcare facilities is a key function of the County Government.
iv. Employment of 300 VTC teachers in 2017 at a monthly salary of Ksh. 28,000
v. Employment of 236 village administrators in 2022 at a monthly salary of Ksh. 31,550.
vi. Promotions of officers in service and annual salary increments.
vii. Conversion of the terms of employment of the casual employees to permanent in in July 2017 and June 2025 following a court order.

Appendix 7a: SRC circulars dated 10th August, 2023 and 10th November, 2023

Management Action on High Wage Bill

The County Executive Committee has undertaken the following measures to progressively reduce the wage bill;

a) The County Executive committee approved the Wage Bill Management plan on 29th August, 2024. Management has set to achieve a target of 33.6% by end of the Financial Year 2028/2029 as per the attached wage bill management plan.
b) The County will strive to increase its own source revenue and engage development partners to expand the resource envelope.
c) Officers have been put on performance contracting and appraisal system to enable assessment of their productivity. With adequate work measurement, idle hours will be reduced to curb the need for new recruitment.

Committee Observation

The Committee noted that the County Executive's wage bill of 53% of total revenue is a clear violation of the fiscal responsibility principles and poses a threat to the sustainability of county finances. This is a direct contravention of Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015, which stipulates that the total expenditure on the wage bill for County Governments should not exceed thirty-five (35) percent of the County Government's total revenue.

The Committee recommends that—

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

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

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

    (vi) advisories and/or directives issued to curb abuse in payment of allowances to State and public officers, percentages of reduction of wage to revenue ratio and savings being made per every year arising from the strategies and interventions it has put in place and implemented.
5. **The Auditor General should continue monitoring the issue in subsequent financial years.**

2. Lack of Ethnic Diversity in Staff Establishment

Review of personnel records for newly employed staff revealed that out of six hundred and forty-two (642) employees employed during the Financial Year 2024/2025, five hundred and forty-four (544) or approximately 85% were from the dominant ethnic community. This was contrary to Section 65(1)(e) of the County Governments Act, Cap 265 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty per cent of the vacant posts at the entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

Management Response

The recruitment of six hundred and forty-two (642) employees in the financial year 2024/2025 was a regularization of casuals who had been engaged in health facilities for more than three months. Management reiterates that this was not a new recruitment. Regularization was also informed by the requirement to pay all personnel emoluments through IPPD as recommended by audit and Controller of Budget.

Achieving 30% as required under Section 65(1)(e) of the County Governments Act, Cap 265 was not possible considering the fact that these were casuals who were already working in remote primary health facilities serving local village populations.

Committee Observation

The Committee observed that approximately 85% of newly employed staff were from the dominant ethnic community, thus there was no ethnic diversity among the County Executive employees.

The Committee also notes that section 65(1)(e) of the County Governments Act mandates county public service boards, in selecting candidates for appointment, to consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. This provision must be adhered to by all counties.

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

Committee Recommendations

The committee recommends that: -

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

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3. Employees on Long-Term Probation

Review of Payroll Data for the month of June, 2025 indicate that there existed 694 employees serving on probation for long periods of up to 20 years. The Management did not explain the reasons for not absorbing these staff to the Permanent and pensionable terms. This was contrary to section 42 (2) of the Employment Act, Cap 226 which provides that a probationary period shall not be more than six months but it may be extended for a further period of not more than six months with the agreement of the employee.

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

Management Response

i. **Reasons for not absorbing these staff**

The officers who missed out on confirmation did not submit individual requests for confirmation.

ii. **Status Report of the 694 Officers on probation**

Management agreed with the audit finding. The County Public Service Board has confirmed one hundred seventy-four(174) out of the six hundred and ninety-four (694) to permanent and pensionable terms. The list is attached under ***appendix 9b.***

Management has submitted additional request of one hundred and thirty (130) to the County Public Service Board for confirmation. At the time this was to be processed, the Board had no quorum. A full board has now been constituted to process the remaining conversions. Attached is gazette notice of appointment of the new Public Service Board Chairperson and Members.

Committee Observation

The Committee observed that there were legal and procedural irregularities in the absorption process that unduly exposed the Management to unnecessary legal exposure through adverse litigation.

Committee Recommendation

The Committee recommends that the County Governor ensures compliance with the law on absorption of staff as provided in Section 42 (2) of the Employment Act, Cap 226, and undertakes administrative action against the county officers found to be in breach of these laws and procedures.

4. Recruitment Without Approved Staff Establishment

Verification of June, 2025 payroll revealed that the County Executive paid seven thousand and eighty-five (7,085) employees through the Human Resource Integrated System (HRIS) during the pay period. Out of this number, six hundred and forty-two (642) were recruited during the year under review. However, the recruitment was done without an approved staff establishment to guide the filling of the positions. Audit verification revealed that the Bungoma County Public Service Board staff establishment was developed and approved for implementation in May, 2025 by the County Public Service Board. However, the Staff Establishment provided had not been approved by the County Executive Committee.

In addition, the County Executive did not have an approved staff establishment at the beginning of the financial the year under review and therefore the optimal staffing levels for all cadre of staff had not been established. The Management did not explain the mechanism it relied upon to identify existence of the vacancies filled. This was contrary to section 5 of the County Governments Act, Cap 265 which provides that a county government shall be responsible for establishing and staffing its public service as contemplated under Article 235 of the Constitution.

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

Management Response

The Management responded that the board relied on draft staff establishment at the beginning of the Financial Year as the basis for declaring vacancies, advertising and recruitment. This was after the County Human Resource Advisory Committee had adopted and presented it to the board. The County Public Service Board has since approved the Staff Establishment in May 2025.

The County Executive Committee has ratified the staff establishment. Extract of Committee minutes was attached.

Committee Observation

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

Committee Recommendation

The Committee recommends that the County Executive strictly adheres to the established legal mechanisms for recruitment as provided under Section 5 of the County Governments Act, Cap 265 and Article 235 of the Constitution. The Committee marks this specific matter as resolved, contingent on future adherence.

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The Committee recommended that the matter be marked as resolved

5. Failure to Reserve Employment Positions for Persons Living with Disability

The Staff register provided for audit review shows that the County Executive had a staff population of 7,116 as at June, 2025. Out of this number, only 90 employees representing 1.26% of the population are persons living with disability. The County Executive therefore failed to ensure that 5% of the positions are reserved for persons with disability. This was contrary to Section 21(2)(a) of Persons with Disabilities Act, 2025 which provides that every employer shall where an employer has at least twenty employees, reserve at least five per cent direct employment opportunities for persons with disabilities to secure employment.

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

Management Response

The County Public Service Board carries out advertisement of job vacancies in the Daily Newspapers of national circulation. Interested candidates submit applications for consideration. In the job advertisement, Persons with disabilities, women and youth are usually encouraged to apply. Despite the reservation, few applications are received from persons living with disabilities. The County Public Service Board, in its advertisement will continue to put emphasis to persons living with disability to attract more applicants.

From the previous recruitment in Health, the long list had 1,850 applicants. From the 1,850 applications, persons living with disability were 9 representing 0.5%. The County Public Service Board shortlisted 8 applicants for interviews. Two persons living with disability were recruited. Appendixes were attached.

Committee Observation

The Committee observed that only 1.26% of County Executive staff were persons with disabilities, falling short of the 5% requirement under section 21(2)(a) of the Persons with Disabilities Act, 2025, indicating non-compliance with mandated employment provisions for persons with disabilities.

Committee Recommendation

The Committee recommends that

1.The County Public Service Board ensures the fulfilment of the 5% statutory quota for PWDs in compliance with Section 21(2)(a) of the Persons with Disabilities Act, 2025.

2.The Board includes a report on the measures taken to implement employment equity for PWDs and the results achieved in its annual report, as part of its accountability under Article 10 of the Constitution.

6. Non-Adherence to the One Third Basic Pay Rule

Verification of the staff payroll revealed that some employees' salary deductions exceeded two-thirds (2/3) of their basic salary in eleven months. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that without prejudice to any right of recovery of any debt due and notwithstanding the provisions of any other written law, the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

Management Response

Management agrees with the audit finding. Non-Adherence to the One Third Basic Pay Rule was caused by the following factors:

i. Introduction of new levies including Housing Levy, Social Health Authority and increased Social Security deductions.
ii. Payroll Administrative actions including Imprest recoveries of unsurrendered imprest and half pay to officers on suspension and undergoing disciplinary action.

A two months' notice had been issued to officers earning less than a third of the basic salary to regularize on their third party non-statutory deductions. A similar copy was made to all the affected Financial Institutions.

Management has now effected the directive in compliance with Section 19(3) of the Employment Act, 2007 from 1st January, 2026. All the officers in service will earn not less than one third of their basic salary as evidenced by the attached extract from payroll system.

Committee Observation

The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act, Cap 226.

Committee Recommendations

The Committee therefore recommends that -

1. The County Public Service Board, in coordination with the County Treasury, fully implement the Human Resources Information System (HRIS) to automatically lock out any loan commitments that would cause an employee's net pay to fall below the legal

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threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.

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

7. Employment of Staff on Contract Without Gratuity Provision

During the year under review, the County Executive employed 566 employees and 70 employees in the Departments of Health and Agriculture respectively. However, it was observed that the staff were engaged on contract without gratuity contrary to Paragraph D32(2) of the Bungoma County Human Resource Policy and Procedures Manual, 2024 which states that all officers who are on contract are eligible for gratuity.

In the circumstances, Management was in breach of procedure.

Management Response

Management effected gratuity contribution to the pension schemes for these employees from 1st July 2025. Attached is a list of gratuity submissions under appendix 13a. A budget provision has been made for the arrears of gratuity in the attached extract of the supplementary budget.

Committee Observation

The Committee observed that the Management acted contrary to its own human resource policies by employing staff on contract without providing for gratuity. This exposes the county to potential litigation and financial loss. This is a contravention of Section 68 (2) (a) of the PFM Act, Cap 412A, which requires the accounting officer to ensure all expenditure is lawful and authorized (in this context, the commitment for gratuity must be properly planned and authorized.

Committee Recommendation

The Committee recommends that the County Public Service Board sures strict compliance with the Bungoma County Human Resource Policy and Procedures Manual, 2024, and undertakes administrative action against officers who acted contrary to its provisions, as this constitutes a failure in their duty under Article 10 of the Constitution.

8. Failure to Provide Monthly Progress Reports of all Procurement Contracts

During the year under review, various project files of Bungoma County Executive were sampled for audit review. Important information was missing in the contracts signed which included commencement dates, completion dates, and duration of the contract.

The project implementation team also failed to provide monthly progress reports of all the procurement contracts. This was contrary to section 152 of the Public Procurement and Assets Disposal Act, Cap 412C and regulation 140 (2) of the Public Procurement and Assets Disposal Regulations, 2020.

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

Management Response

The Management responded as follows—

i. Missing Information

Management has taken note of this finding. All procurement officers have been directed to ensure contract documents are complete. Management has further provided sample files for verification by audit.

Committee Observation

The Committee observed that the Management failed to provide monthly progress reports and a project implementation status report, demonstrating a lack of diligence and transparency in project management. This is a breach of Section 152 of the Public Procurement and Asset Disposal Act, Cap 412C, which requires the head of procurement to prepare and submit monthly progress reports, Regulation 140 (2) of the Public Procurement and Asset Disposal Regulations, 2020, which reinforces the requirement for monthly progress reports and Section 62(1)(b) and (c) of the Public Audit Act, Cap 412B, which makes it an offence to fail to provide information required by the Auditor-General.

Committee Recommendation

The Committee recommends that the Management undertakes administrative action against the county officers responsible for the breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 412B and issues an implementation report on this matter within ninety (90) days of the adoption of this report.

9. Failure to Provide Project Implementation Status Report

The County Executive did not provide for audit review the project implementation status report as at 30 June, 2025. Therefore, it was not possible to ascertain the number of

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projects approved for implementation, how many were completed, how many were in progress, how many had not started and how many had stalled.

In the circumstances, the effectiveness of the projects' implementation management could not be confirmed.

Management Response

Management has attached the projects' implementation status report for audit verification

Committee Observations

The Committee observed that the Management failed to address the audit exercise with the required level of diligence that is statutorily expected from public offices.

The Committee further observed that in failing to submit the required project implementation status report, the Management was in breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 412B which provides that a person shall not without justification, fail to provide information required under the Act.

Committee Recommendations

The Committee recommends that the Management undertake administrative action against the county officers responsible for the breach of section 62(1)(b) and (c) of the Public Audit Act, Cap

412B and issue an implementation report in this matter within ninety (90) days of the adoption of this report.

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10. Payment for Subscriptions to Other Entities

The County Executive paid an amount of Kshs.3,500,000 to Lake Region Economic Bloc for subscriptions for the year under review.

However, Management did not provide any document indicating that the entity is recognized by the law. Further, the agreement for Lake Region Economic Bloc provides that the financial statements will be audited by the Auditor General but the Economic Bloc has never submitted financial statements to the Office of the Auditor General.

Management Response

The legal framework for the Lake Region Economic Bloc is primarily established through the LREB agreement and specific legislation passed by member counties. The County Government signed the Agreement on 26th March, 2018. The County Government has since initiated a Bill to anchor the County as a member county within the bloc. However, the subscription in question is in compliance with the resolution of the 9th summit as attached. However, the responsibility of preparation and submission of Financial Statements rests with the LREB Secretariat in accordance to Article 21 of the Agreement.

Committee Observations

The Committee observed that the payment of Kshs. 3,500,000 to the Lake Region Economic Bloc was made to an entity whose legal status and financial accountability to the OAG were not confirmed. This represents an unlawful and unauthorized use of public funds.

This is a direct contravention of Section 149(1) of the Public Finance Management Act, Cap 412A, which requires an accounting officer to ensure that resources are used in a way that is lawful and authorized and Section 68 (2) (a) of the PFM Act, Cap 412A, which obligates the accounting officer to ensure all expenditure made by the entity complies with the law.

Committee Recommendations

1. The County Executive cease all current and future payments to the Lake Region Economic Bloc, as such activities run contrary to the provisions of section 149 of the PFM Act, Cap 412A.

2. Administrative action be applied to any county officer who authorizes further payments to LREB without proper legal and financial accountability frameworks in place.

11. Unexplained Procurement and Distribution of Fertilizer

The County Executive awarded a contract to a local company on 17 December, 2024 at a sum of Kshs.50,452,200 for the supply of planting and top-dressing fertilizers to the 45 Wards and payment made on 22 March, 2025 for Kshs.26,000,000. The fertilizer was delivered in the financial year 2024/2025. However, review of County Finance Bill, 2023 indicated that the subsidized fertilizer was to be sold at Kshs.2,000 per bag for planting fertilizer and top- dressing fertilizer respectively. Further, the audit could not confirm whether the fertilizer was sold or given free of charge since no records were provided for audit and supporting documents were provided for audit to authorize the issue of fertilizers for free.

Additionally, the County Executive awarded a contract to a local firm on 18 February, 2025 at a sum of Kshs.56,250,000 for the supply of planting and top-dressing fertilizers for the 45 Wards within Bungoma County. However, review of Bungoma Finance Bill 2023 indicated that the subsidized fertilizer was to be sold at Kshs.2,000 per bag for planting fertilizer and top-dressing fertilizer. Audit review could not confirm whether the fertilizer was sold or given free of charge and no communication or supporting documents were provided for audit to authorize the issue of fertilizers for free.
In the circumstances, the County Executive may have lost public funds in respect of expected revenue from the sale of subsidized fertilizer.

Management Response
To enhance food security to all residents of the County, free farm inputs were issued local vulnerable farmers as provided in the attached Bungoma County Agriculture Sector Policy issued in October 2023. Additionally, management has submitted Bungoma County Agriculture Inputs and Services Support Bill 2024 to the County Assembly that provides a legal framework on distribution of farm inputs. Attached is a letter of submission of the Bill to the County Assembly.

Committee Observations

i) The Committee noted that there was a failure to maintain records contrary to the provisions set out in statute. In this respect, the Committee observed that the provisions of section 149 of the Public Finance Management Act, Cap 412A provides that an accounting officer shall in respect of the entity concerned, ensure that entity keeps financial and accounting records that comply with this Act.

ii) The Committee observed that regulation 77 of the Public Finance Management (County Government) Regulations states that the Accounting Officer of a project shall compile and maintain a record showing all receipts, disbursements and actual

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expenditure on a monthly basis in respect of every project and subproject and shall—

(a) make monthly interim financial returns;

(b) make quarterly financial management returns; and

(c) submit a summary of the records for each quarter and year to the division responsible for external resources in the County Treasury not later than fifteen (15) days after the end of every quarter.

iii) The Committee further observed that the Management had breached the provisions of regulation 168 of the public Procurement and Asset Disposal Regulations 2020 requires an accounting officer to ensure proper management and distribution of inventory by ensuring the they are received and taken on charge and they are consumed in the course of public business and a record of the same is maintained.

Committee Recommendations

The Committee recommends that—

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who were responsible for the failure in record keeping and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report;**
2. **That the EACC undertakes investigations with a view to establishing if there was any loss of public funds and if so, determining the officers responsible for the loss of public funds for the purposes of criminal prosecution.**

12. Renovation of Cattle Dips for County Empowerment Fund (CEF) Projects

During the year under review, the County Executive awarded a contract to a local company at a contract sum of Kshs.2,915,954 for the renovation of two cattle dips at Maraka and Namwela Wards. However, the following anomalies were observed:

i. The cattle dips were not functional for almost a year
ii. The wood from the entry point to exit point were worn out and the structures were not strong enough to handle the animals
iii. The surrounding fence was not existing, a possibility of vandalism of the wooden posts
iv. The cemented floors were cracked and grass had grown on it.

In the circumstances, value for money was not achieved on these projects.

Management Response

i. **Not functional for almost a year**

Management is currently preparing handing over the cattle dips to the local management

committee to ensure the dips are operational. A request to procure dip chemicals has been made.

ii. **Dip Defects**

Management has directed the contractor to make good all the defects, which had earlier been flagged out by the inspection team. Payment of retention fee has been withheld until the contractor addresses all the defects noted. The deposit withheld notification letter dated 10th September, 2025 is attached.

Committee Observations

The Committee noted that there was a potential risk of loss of public funds. The Committee further observed that section 149 of the Public Finance Management Act, Cap 412A provides that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

(a) lawful and authorized; and

(b) effective, efficient, economical and transparent.

Committee Recommendations

1. The County Executive establishes a robust project management and monitoring system to ensure proper project conceptualization, planning, execution, and timely completion, in line with the requirements of Section 149 of the PFM Act, Cap 412A.

2. The Accounting Officer for each project ensures the completion of works within stipulated timeframes, rectifies all defects (e.g., the bending wall at the stadium), and ensures all project assets are taken on charge and properly recorded in the county asset register.

3. The Accounting Officer ensures all land for public projects is properly documented and title deeds are obtained and registered in the name of the County Government, in line with Chapter Five of the Constitution on land.

4. The Accounting Officer prepares and submits a progress and implementation report on these projects within ninety (90) days of the adoption of this report.

13. Construction of Masinde Muliro Stadium

The County Executive awarded a contract for construction of Masinde Muliro Stadium to a lo company on 26 April, 2019 at a contract sum of Kshs.679,386,376. This was later revised Kshs.807,464,800. The initial completion date was 14 June, 2021 but was revised four times a the last revised completion date was 16 December, 2025. Review of payments records revealed tl the Company was paid Ksh.39,711,882 as the final payment for Certificate Numbers 2,3,4,11, and 14 which had been partially paid.

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However, the current status of the project could not be established as Management did not provi information on site instructions, schedule of outstanding works, and the title deed for the land which the stadium is built.

Audit inspection conducted on 23 July, 2025 revealed the works had stalled for over a, year and t contractor was not on site. The external fence that was built had structural defects. A section of t fence facing the VIP entrance is bending outwards thereby forming a huge crack on the flc between the fence and the adjacent ground. No explanation was given for this defect. Also, soı offices had already moved in and occupied the office block even before completion of the proj and hand over for occupation.

In the circumstances, value for money has not been achieved on this project

Management Response

i) Current status of the project

Management has provided the Project Status report dated 17th July, 2025. The report incluc schedule of outstanding works. The project is 95% complete as per the attached project stat report. Management has further provided minutes of the site meeting held on 21st February 20: In this meeting, site instructions were given to the Contractor who was in attendance. Instructio have been highlighted on page three of the attached site minutes under appendix 19b.

i) Title deed for the land

The stadium land is registered under the defunct Bungoma County Council as per the attached a copy land search.

Appendix 19c: Certificate of Official Search

ii) No work was ongoing for almost one year and the Contractor was not on site.

The contractor for this project expired on 16th December 2025. The County Government is engaging the National Government to complete the remaining works.

iii) External Fence

The wall referred is not bend but a slight curve on alignment to the existing boundary wall. The structural "crack" is an expansion joint between the columns and therefore not a structural defect. It is worth noting that the existing boundary wall is stand-alone element and not connected to the ground that is made up of debris deposit. There is no crack between the wall and the ground floor of the fence.

iv) Offices already occupied

The contractor partially handed over the project on 23rd April, 2025 after having been issued with a partial certificate of practical completion on 17th April, 2025. The County

Executive has been facing office space constraints with a limited budget for recurrent.

Committee Observations

The Committee observed that the stadium was incomplete. The Committee further observed that there was a potential breach of section 149 of the Public Finance Management Act, Cap 412A provides that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

(a) lawful and authorized; and

(b) effective, efficient, economical and transparent

Committee Recommendations

The Committee recommends that within ninety (90) days after the adoption of this report—

i. **The County Executive establishes a project management and monitoring System to help in proper project conceptualization of projects, planning, execution and timely completion of projects as well as realization of value for money;**
ii. **The Accounting Officer to ensure that the stadium is completed, and the bending wall is rectified as soon as possible;**
iii. **The title deed of the stadium should be transferred to the name of County Government; and**
iv. **The County Asset Register be updated.**

14. Proposed Construction of High-Altitude Training Centre

The County Executive awarded a contract for construction of a High-Altitude Training Centre local company on 16 November, 2023 at a Contract sum of Kshs.30,980,230. During the ye under review, the company was paid Ksh.11,558,042 for Certificate number 2.

Although the project was completed and handed over to the Management, the centre has not be opened for use by the County Government for the intended purposes. Further, the land ownersh documents were not provided for audit review.

In the circumstances, the public has not received value for money from the project.

Management Response

Management responded as follows—

i) Project had not been handed over

Management has deployed officers to the training centre with view to operationalise it. Attached are the letters of deployment. The facility is now served with water which also had delayed operationalization. The water drilling and equipping completion certificate is

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attached.

ii) Title deed for the land

Management has initiated a process to acquire a title deed for the land. The status report is attached.

Committee Observations

The Committee noted that there was a potential breach of section 149 of the Public Finan Management Act, Cap 412A provides that an accounting officer is accountable to the cour assembly for ensuring that the resources of the entity for which the officer is designated are used a way that is—

(a) lawful and authorized; and

(b) effective, efficient, economical and transparent

The Committee observed that in failing to submit the required documentation for audit review, t Management was in breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 412B whi provides that a person shall not without justification, fail to provide information required under t Act.

Committee Recommendations

The Committee recommends that the Accounting Officer operationalize the High-Altitude Training Centre and provide land ownership documents within ninety (90) days of the adoption of this report.

15. Proposed Erection and Completion of Chwele Vocational Training Centre

The County Executive through Department of Education awarded a contract for the erection a completion of Chwele Vocation Training Centre at a contract sum of Kshs.30,337,295 on 7 Ma 2020 for a project duration of 26 weeks or 6 months. The commencement date was 14 May, 20 and the completion date was 14 October, 2020. During the year under review, the Cour Executive paid Kshs.5,000,000 for certificate number 4.

However, the audit verification revealed that the project had stalled. Management did not provi measurement sheets to ascertain the value of works done.

In addition, information provided revealed that the contract was terminated on 26 September, 20 after the contractor abandoned the site for over 9 months. There was no evidence that due proce was followed in the termination process. This was contrary to regulation 141 of the Pub Procurement and Asset Disposal Regulations, 2020.

In the circumstances, the public has not received value for money from the project.

Management Response

Management wishes to respond as follows including action taken-

(i) Measurement sheets

Management has now provided the measurement sheets under appendix under appendix 21a.

(ii) Contract termination

Management issued a default notice to the contractor on 18th August 2023 following contract frustration. There was no response received from the contractor. The Accounting Officer on 26th September 2023 terminated the contract.

Management has issued an Advisory to guide to all Accounting Officers on the correct procedure of contract termination. The letter is attached.

(iii) Completion of Project

Management agrees that the project has stalled. A bill of quantities has been prepared to provide the actual cost of project completion. Attached is the copy of the quantities. The funds for completion will be provided in the budget for 2026/2027 Financial Year.

Committee Observations

The Committee observed that the Management had failed to ensure that the project was completed. It also observed that the Management had failed to ensure that there was value for money obtained from this project.

Committee Recommendations

The Committee recommends that the Accounting Officer is to ensure that the construction of Chwele Vocational Training Centre is completed without further delay and that a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.

16. Proposed Erection and Completion of Governor's Residence

The County Executive awarded a contract for construction of Governor's residence at a contract sum of Kshs.40,120,900 on 27 June, 2023. The contract period was fifty-two (52) weeks from 14 August, 2023 and expected completion date was 13 August, 2024. Payment amounting to Kshs.17,473,250 was paid during the year under review. Audit inspection was conducted on 15 July, 2025 and the following was observed; -

(i)The project was not complete and the last project status report revealed that the project was 55% complete;

(ii)Minimal work was ongoing;

(iii)Substructure and superstructure works had been done;

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(iv)Formwork for a staircase and suspended floor slab had been done; and

(v)Hoarding works were indicated to have been done but during the site visit only the front side of the site had a temporary fence. This may increase possibility of unauthorized access, as well as potential theft of site materials.

There was no evidence provided to confirm whether the contractor had sought for extension of the contract period or a default notice issued to the contractor by the county executive for failure to comply with the contract.

In the circumstances, value for money has not been received from the project.

Management Response

i. **Project was 55% complete with minimal work ongoing**
The project is now at 60% and the contractor is actively on site. Attached is the status report of the project. The slow pace has been occasioned by budgetary constraints.

ii. **Hoarding not completely done**
The contractor has since done hoarding of the entire construction area. At the time of audit, management requested for further physical inspection to confirm the hoarding. The hoarding was done as per the attached photographs taken from the construction site.

iii. **Contract extension**
The contractor sought for contract extension on 14th July, 2025. Management approved contract extension for this project to a new completion date of 17th September, 2026. The request for contract extension and revised contract is attached.

Committee Observation

The Committee observed that the construction of the Governor's residence was being beset by undue delay. This meant that there was a possibility of loss of public funds as key construction dates came up and no progress was made.

The Committee further noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendation

1. **The Committee recommends that County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money.**
2. **The Committee further recommends that the Accounting Officer is to ensure**

completion of this project within the stipulated time. The project work should be properly supervised to ensure it is done professionally and a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.

17. Stalled Construction of the Deputy Governor's Residence

The County Executive awarded a contract for the construction of the Deputy Governor's residence at a contract sum of Kshs.35,980,200. The contract was awarded on 27 June, 2023 for a contract period of fifty-two (52) weeks from 14 August, 2023 to 13 August, 2024. The period had since lapsed and no payment has been paid to date. Audit inspection was conducted on 15 July, 2025 and revealed the following;

i. Only site clearance and excavation of foundation trenches and securing of the site through hoarding had been done;
ii. No work was ongoing at the time of inspection and the contractor had abandoned the site.

Further, project implementation status report was not provided and there was no evidence provided to confirm whether the contractor had sought for extension of the contract period or a default notice issued to the contractor by the County Executive for breach of contract.

Additionally, the land ownership documents for the land housing the project were not provided for audit and therefore the ownership status of the land could not be confirmed.
In the circumstances, value for money has not been received from the project.

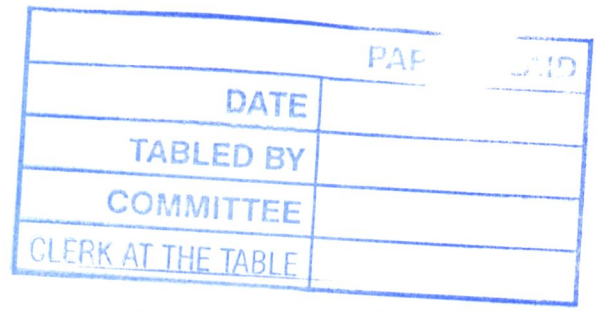
Management Response

The Management responded as follows—

i. **No work was going on and contractor had abandoned site**
The contractor is back on site and the project is ongoing. The project is now at 40% completion as per the attached project implementation status report.
ii. **Contract extension**
The contractor sought for extension of the contract period. Management approved the request and set a new completion date to 2nd August, 2026. Attached are the request for contract extension and the revised contract.
iii. **No land ownership documents**
A copy of land title has been provided for audit review. Management had provided the same title at the time of audit.

Committee Observation

The Committee observed that the construction of the Deputy Governor's residence was being beset by undue delay. This meant that there was a possibility of loss of public funds as key



construction dates came up and no progress was made.

The Committee further noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendation

1. **The Committee recommends that County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money.**
2. **The Committee further recommends that the Accounting Officer is to ensure completion of this project within the stipulated time. The project work should be properly supervised to ensure it is done professionally and a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.**

18. Proposed Construction of County Aggregation and Industrial Park

The County Executive awarded a contract for the Proposed Construction of County Aggregation and Industrial Park at a contract sum of ksh.474,153,713.83 on 28 August, 2023 for a period of 24 months with an expected completion date of 28 September, 2025. The Scope of work include boundary fence, access road and parking, foot paths around the

building, storm water drainage, septic tank, borehole, ablution block, power and pump houses, office block, warehouses, cold storage rooms, civil works, electrical and Mechanical works. The Contractor was paid Ksh.37,430,000 and 40,000,000 for Certificate No. 2 and 3 respectively. The cumulative payments to date are Ksh.168,448,114. However, the audit could not establish the current status of the project since the management did not provide information on the project status/contract data, schedule of outstanding works and title deed for the land.

Audit Inspection conducted on 2 July, 2025 revealed that the Contractor was not on site and no work was ongoing. Further, the works on the warehousing had been done up to basement level only and the walling of the Offices were done up to the first floor.

In the circumstances, the public has not realized value for money from the project.

Management Response

i. **Current status of the Project**

Management has provided the current status of the project that includes the schedule of outstanding works. Attached is a status report. The project is 59% complete.

ii. **Title deed for the land**

The land on which the land for County Aggregation and Industrial Park is part of Bungoma National Polytechnic land. The county lands office and trade department are in the process of adjudicating and demarcating the portion set aside for the park. Attached are also the copies of land search.

iii. **Contractor was not on site**

Management through the project manager has issued a contract default notice to the contractor for breach of contract. The contractor has since resumed site and the works are ongoing.

Committee Observation

The Committee noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendation

1. **The Committee recommends that, to achieve the primary objective of the County Aggregation Industrial Project (CAIP), which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development.**

2. **The Committee recommends that County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money.**

3. **The Committee further recommends that the Accounting Officer is to ensure completion of this project within the stipulated time. The project work should be properly supervised to ensure it is done professionally and a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.**

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19. Construction of Kanduyi - Sang'alo Junction to Dual Carriage

The County Executive entered into a contract for construction of Kanduyi- Sang'alo Junction Road to Dual Carriage (C33) on 27 December, 2018 at a Contract sum of Ksh.1,382,442,975. The road has a length of 6.7 Kilometers. The contract period recorded is for 24 months and was expected to be completed on 22 October, 2021. The objective of the Contract was to construct and expand the road to Dual Carriage way. The scope of the works included preliminaries and general works, site clearance, earth works, excavation and filling of structures, culverts and drainage works, passage of traffic, natural material subbase and base, graded crushed – subbase and base, bituminous service treatment and surface dressings, bituminous mix bases, binder courses and wearing courses, concrete works (Box Culvert and closed lined drain), road furniture, sexually transmitted diseases and HIV/AIDS prevention, awareness and education and street lighting.

The contract was revised through an addendum dated 3 June, 2022 revising the contract sum by Kshs.191,285,204 raising the contract sum to ksh.1,573,728,108. The revised completion date was 21 July, 2022 and there is no evidence of any further extension of the contract period. As at the time of audit in the month of July, 2025, the Contractor had been paid a total Ksh.1,371,481,891. The status report dated June, 2025 from the Resident Engineer shows the project is 94% percent complete. However, the following major works were noted to be outstanding—

(i) Under Bill NO. 16 – Bituminous mix bases, a 50mm Asphalt concrete wearing course had not been done;
(ii) Under Bill No. 17 – Concrete works, a Foot Bridge costing Kshs.50,000,000 had not been done;
(iii) Under Bill No. 20 - Road Furniture works are still outstanding; Road marking was done temporarily on incomplete road; and Bill No. 26 – Street lighting. This was done by another State Agency during the Madaraka Day celebrations on June, 2024. However, this item which had been planned to cost Kshs.24,286,000 has not been removed from the Bills of Quantities. Further, the street lighting done appear not to comply with the provisions of the BQ as the lighting was done using concrete posts instead of Steel Street lighting round posts as provided for in the Bills of Quantities.

Audit inspection conducted on 21 July, 2025 revealed the following:

i. The road project is not complete and no work is ongoing and the Contractor was not on site.

ii. The road although not complete is open to motorists and pedestrians which is a risk as it has no speed bumps or rumbles and no foot bridges.
iii. The road is one carriageway and does not have shoulders although the Bills of Quantities hand provided for 1.7 metres wide shoulders on each side of the road. Shoulders were marked by road marking but they are not safe for pedestrians since there is nothing in place to deter motor vehicles from using them.
iv. The road is not properly drained. Some sections of the road are retaining flood water at the middle of the road which has already shortened the life of the road.
v. The road was not raised enough to properly drain storm/rain water to the drainage system. When it rains, the silt covers the walking area thereby covering almost the entire one lane at the place within the town centre especially near the bus park.
vi. The road has already started to develop potholes.
vii. The exit roads at the town centre were not served with culverts and therefore they empty all the water to the surface of the dual carriage way instead of the drainage system thereby increasing the damage to the road.

In the circumstances, the value for money has not been realized from this project.

Management Response

Management acknowledges the auditor's findings. Management wish to state that the overall project implementation stood at 97.98% completion as per the attached status report dated 14th November 2023. The project has been handed over to the client as per the attached appendix 25a.

i. Bill No. 16 – Bituminous Mix Bases (50mm Asphalt Concrete Wearing Course)

Management acknowledges that the works billed under Item No. 16 (Bituminous mix bases, 50mm Asphalt concrete wearing course) were not executed. This omission resulted from adverse Variation of Prices (VOP) that increased by 110% since the contract award in 2018. The procurement time in 2018, construction material prices were as follows: fuel at Ksh 90.00 per liter, cement at Ksh 600.00 per 50kg bag, and bitumen at Ksh 98.00 per liter. By 2022, these prices had escalated significantly: fuel to Ksh 200.00 per liter, cement to Ksh 850.00 per 50kg bag, and bitumen to Ksh 200.00 per litre.

Due to these substantial price fluctuations, the Variation of Price component of the project increased significantly. To enable project continuation within the available budget, the client advised implementing an internal variation of quantities, which necessitated reducing the asphalt concrete thickness by 50mm to accommodate the increased material costs.

ii. Bill No. 17 – Concrete Works (Footbridge)

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Management acknowledges the auditor's observation that Item Bill No. 17 (Concrete works) designated for a footbridge costing Kshs 50M was not implemented. The footbridge was intended to facilitate safe pedestrian crossing at the high-density Chepkube market area, which had previously experienced numerous traffic accidents during peak hours.

While the initial contract period was set at 24 months, the COVID-19 pandemic, which was not anticipated during initial project planning, significantly impacted project completion. Working hours were reduced to 6 hours per day due to health protocols, and delayed payments by the client further contributed to project delays, necessitating a 9- month contract extension.

The contract extension resulted in increased administrative costs, including supervision vehicle expenses, supervision allowances, laboratory costs, licensing fees (such as NEMA permits), insurance premiums, and other related expenses. To manage these increased costs within the available budget, the client advised varying the contract by eliminating the footbridge from the design.

As a mitigation measure, management implemented alternative safety solutions including the installation of speed control bumps and appropriate road signage to substitute for the bridge function. The allocated quantities were redirected toward other priority items as detailed in the project variation schedule.

iii. Bill No. 20 – Road Furniture Works

Management respectfully disagrees with the auditor's observation that Road Furniture works remain outstanding. The contractor has successfully completed road markings, installation of road signs, zebra crossings, and road kerbs as specified in the contract documents. Management welcomes the opportunity to provide a guided site inspection to demonstrate the completed road furniture installations.

iv. Bill No. 26 – Street Lighting

Management acknowledges the auditor's findings regarding Bill Item No. 26 on street lighting. We confirm that while street lighting was installed by another state agency during the Madaraka Day celebrations, the corresponding item valued at KSH 24,286,000 has not been removed from the Bills of Quantities.

Additionally, management concedes that the street lighting installation deviated from the contract specifications, which called for round steel posts rather than the concrete posts that were actually installed.

However, it is important to clarify that the contract amount has not been reduced because the contract had already expired at the time of audit, and management could

not vary an expired contract. Furthermore, Bill Item No. 26 for street lighting has not been included in any payment certificates issued to the contractor. Therefore, while the amount remains in the contract documentation, the County Government will not incur any financial liability for this item under the stated conditions.

Regarding the deviation in materials, management notes that the primary objective of including street lighting in the Bill of Quantities was to ensure road user safety during both day and night hours. This objective may have differed from the short-term goals of the Madaraka Day celebration organizers. Since the County Government was not involved in the implementation of these works, which were entirely executed by the National Government through Kenya Power, management had no input on the materials utilized.

v. Project Completion Status and Contractor Presence

Management concurs with the auditor's observation that the contractor was not present on site during the audit inspection. As previously explained, prior to contract expiry, the contractor received site instructions to proceed with and complete the outstanding works within the extended contract period and the defects liability period. However, due to budgetary constraints, the County Government was unable to settle the pending work certified in certificates Numbers 8, 9, and 10 within the contract period, resulting in the contractor's inability to complete the remaining works.

vi. Road Safety Concerns

Management acknowledges with serious concern the auditor's observation that the road is currently open to motorists and pedestrians in its incomplete state, thereby posing safety risks due to the absence of speed bumps, road markings, and the planned footbridge. Management has no alternative routes within the area to divert traffic. Additionally, due to budgetary constraints, management has been unable to settle the contractor's pending certificates, which would enable the execution of outstanding works necessary to make the road safe for both motorists and pedestrians. As part of interim mitigation measures, the department has:

- Erected temporary speed bumps at critical crossing points, including areas near KMTC and Marell Primary School.
- Deployed County Enforcement Officers to manage traffic during peak hours to minimize risk exposure.

vii. Road Shoulders

Management acknowledges the auditor's observation that the carriageway lacks the 1.7m wide shoulders specified in the Bills of Quantities. The total road width from

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the median (raised island) to the drain measures 8.7m. For a dual carriageway, the required traffic lanes total 7m (3.5m per lane). When subtracting 7m from the total 8.7m width, the remaining 1.7m constitutes the shoulders on each side of the road, which have been properly separated from the carriageway by road markings. Please refer to attached technical drawings.

viii. Drainage Issues

Management acknowledges the auditor's observation regarding inadequate road drainage, particularly at super-elevated sections where water accumulates in the middle of the road, potentially compromising the road's structural integrity and lifespan.

The original road design specified 100mm Asphalt Concrete (AC) thickness. However, as explained in response to Bill No. 16, only 50mm of asphalt concrete was applied due to adverse price variations. A second layer of 50mm asphalt concrete is required to achieve the proper elevation for effective water flow across the median island.

This additional layer will be implemented by the Kenya National Highways Authority (KeNHA) since the project has been handed over to KeNHA, as per the agreed arrangement.

ix. Workmanship Quality and Maintenance

Management acknowledges the auditor's observation regarding road deterioration near Bungoma Bus Park and the silt accumulation on walkways. However, it is important to clarify that the observed road failure is not attributable to substandard workmanship but rather to structural limitations arising from the reduced asphalt thickness.

The road was designed to accommodate current and future traffic loading with 100mm thickness of asphalt concrete. However, only 50mm has been applied, which reduces the design life of the pavement structure and explains the observed premature failure.

Regarding the silt-covered walkways, management commits to address road drainage issues through the Department of Water and Environment.

Committee Observations

The Committee noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate

theft, security threats, losses, wastage and misuse.

Committee Recommendation

The Committee recommends that—

i. **The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money;**
ii. **The Accounting Officer should ensure completion of the road as soon as possible and further that Bills of quantities should be revised to remove all the works done by other Government;**
iii. **The Management should prepare and submit a progress & implementation report on these recommendations within ninety (90) days of the adoption of this report.**

20. Rehabilitation of Sio/Mayanja/Sihilila and Nandingwa Rivers

The County Executive entered into a contract for rehabilitation of Sio/Mayanja and Nandingwa Rivers in South Bukusu, Kimaeti and Bumula wards on 6 September, 2024 at a Contract sum of Ksh.5,917,200. The rehabilitation involved the supply of indigenous tree seedlings, bamboo, grass planting, site preparation, protection and maintenance of the seedlings and was expected to be completed on 6 December, 2024. The Management paid a total of Kshs.2,957,944 on 14 March, 2025.

Audit inspection was conducted on 8 July, 2025 and the following was observed: -

i. There were incidences of sand harvesting which contributed to uprooting of the tree seedlings;
ii. There was extensive encroachment and cultivation of maize crop in the areas where tree seedlings had been planted hence damaging the trees.
iii. There were cattle grazing along the rivers which have contributed to reduced numbers of surviving seedlings.
iv. The is no proper maintenance of the surviving tree seedlings.

In the circumstances, the value for money has not been realized from this project.

Management Response

Management wishes to state as follows including action taken,

i. **Climate Change Fund is a self-reporting entity**

   This project was implemented under Climate Change Fund which is a self-reporting entity. Payment for this project was reported under Climate Change Fund. Attached is a copy of the payment voucher. A ledger submitted for audit erroneously included this transaction.

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ii. **Incidences of sand harvesting and encroachment of river banks**
Climate change Fund has incorporated in its programme capacity building of the local community on climate change actions through the County Climate Change Unit and Ward Climate Change Planning Committees. Meetings have been held as per the attached report in appendix 26b.

iii. **Encroachment and cultivation of maize crop and cattle grazing**
The department is engaging local communities on awareness of environmental conservation and risks associated with encroachment of riparian land.
Additionally, management has engaged the National Government through National Environment Management Authority (NEMA) and Kenya Forestry Service on enforcement of protection of river banks and the growing tree seedlings.

Committee Observations

The Committee observed that the County Executive failed to properly ensure that it adhered to the standards of environmental sustainability as prescribed in section 117(2)(d) of the County Governments Act, Cap 265.

Committee Recommendation

The Committee recommends that the Accounting Officer to take action to protect the trees and the environment around the two rivers and that the Management should prepare and submit a progress & implementation report on these recommendations within ninety(90) days of the adoption of this report.

21. Proposed Erection and Completion of County Public Service Board Offices

Review of projects records revealed that Bungoma County Executive awarded a tender to a construction company for a proposed erection and completion of County Public Service Board Offices at a contract sum of Kshs.52,497,282.94 on 13 April, 2023 and was to be completed after 52 weeks on 12 April, 2024. However, a review of the project files revealed that the requisitioner of the proposed building, County Public Service Board had requested for a change of site for construction of the office from Ndengelewa Market to plot number 388 and 389 situated between Ngarisha Sacco and Bungoma Law Courts nine (9) months after the contract was signed.

As at the time of the audit, the contract had lapsed and there was no evidence of extension

of the contract duration. Audit inspection conducted on 14 July, 2025 revealed that the office block was at first floor slab work, the site lacked enough space for storage of materials and the project implementation committee had not issued any monthly progress reports. This was contrary to Regulation 140 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the head of procurement function to prepare a monthly progress report of all procurement contracts and submit the same to the accounting officer in accordance with section 152 of the Act.

In the circumstances, the value for money has not been realized from this project.

Management Response

Management wishes to respond as follows including actions that have been taken in regard to this project.

i. **Change of site for construction of the office**

The stretch between Ndengelwa Market and Sikata bridge has been marked by KENHA as a black spot considering the many fatal road accidents. To ensure safety of 7,000 county staff and other citizens seeking service, relocation to Bungoma town was necessary. Management through the county lands office identified a new parcel of land to construct the board offices. Attached is a letter from County Lands Office.

ii. **The contract duration had lapsed with was no evidence of extension**

The contractor has submitted a request for contract extension. The process to extend is ongoing. Management has appointed an accounting Officer to fast-track contract renewal after the tenure of the Accounting Officer who was the Board Secretary lapsed.

iii. **The office block was at first floor slab work**

Management was in receipt of the certificate of Ksh 11,756,147.60 dated 24/5/2024. The payment was processed but in the subsequent Financial Year 2024/2025. This was caused by the late exchequer receipt for 2023/2024. Non-payment of this certificate no. 1 made it difficult for the contractor to resume site on time. The contractor gave notice of suspension of work through a letter dated 3rd October, 2024, to the project manager. The contractor however has resumed site. The project is currently at 37% of completion as per the attached Monthly Progress report.

iv. **The site lacked enough space for storage of materials.**

Due to space constraints the contractor supplies materials that are used optimally.

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As a mitigation measure, the contractor has completed the structural works on ground floor where some materials are stored.

v. **Monthly progress reports**

Management has provided the monthly progress reports for audit verification.

Committee Observations

The Committee noted that the Management was at risk of breaching regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendations

The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money. Accounting Officer to ensure the projected is done and completed without further delay.

22. Construction of One ECDE Classroom and Two Door Pit Latrines in 3 ECDE Centres

The County Executive through Department of Education awarded a contract for the construction of 1no. ECDE classroom and two (2). door pit latrines at Lwanda Pefa, Luuya, Maanga and Kiboochi Primary Schools in Luuya Bwake Ward at a contact sum of Kshs.6,077,470 on 29 June, 2022. The project was to take twenty-four (24) weeks commencing on 30 June, 2022. Verification of documents provided for audit revealed that the contractor was paid Kshs.865,640 for certificate number 1. It was further observed that the contract was terminated on 15 December, 2023 for breach of contract after abandoning the site for one month without authority of the Project Manager. However, there was no evidence that due process was followed in the termination process as per the provisions of Regulation 141 of the Public Procurement and Asset Disposal Regulations, 2020.

Audit inspection conducted in the month of July, 2025 at Lwanda PEFA primary school revealed the following; -

i. No work was ongoing as the contractor had abandoned the site.
ii. The ECDE classroom construction had the substructure and walling done up to lintel
iii. The Contractor did not construct a wall on the right side but relied on the existing wall of the adjacent classroom and the Contractor was contracted to construct an independent

classroom and to leave a space between the old and new classroom.

iv. The abandoned construction has caused accumulation of water that is flowing to the existing classroom.

v. The walling thickness done is 150mm instead of 200mm specified in the bills of quantities.

vi. Construction of the 2-door pit latrine was not done.

vii. No work had started in the other two ECDE Centres.

In the circumstances, the value for money have not been realized from this project.

Management Response

Management wishes to respond as follows including action taken,

i. Contract termination

Management issued a default notice to the contractor on 9th September 2023 following contract frustration. The contractor did not respond to the notice. The Accounting Officer on 15th December, 2023 terminated the contract.

Management has issued an Advisory to guide to all Accounting Officers on the correct procedure of contract termination. The letter is attached under appendix 21b.

ii. Contractor did not construct a wall on the right side

The school had limited space for the building. The works officer on site recommended the use of adjacent wall.

Additionally, the omitted wall was not paid to the contractor as per the attached certificate No. 1 and measurement sheets attached.

iii. Walling thickness done was 150mm instead of 200mm

Management did not pay walling thickness of 200mm to the contractor as per the attached certificate No. 1 and measurement sheets attached. Failure to comply with works instructions formed one of the grounds for contract termination. Management has withheld retention due to the contractor.

iv. Construction of the 2-door pit latrine was not done.

Management terminated the contract and the contractor vacated site.

v. No work had started in the other two ECDE Centres

Management terminated the contract and the contractor vacated site. Management has set will make a budgetary provision in the coming Financial Year to ensure the project is complete for use by those children.

Committee Observations

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The Committee observed that there was a need to ensure that section 149(1) of the Public Finance Management Act, Cap 412A were adhered to. This provision of law states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

(a) lawful and authorized; and

(b) effective, efficient, economical and transparent

Committee Recommendations

The Committee recommends that—

1. **the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, Cap 412A and the Public Finance Management (County Government) Regulations, 2015;**
2. **the Management ensures that there was no loss of funds through the termination of the contract and that damages are recovered for termination where possible; and**
3. **the Management should prepare and submit a progress & implementation report on these recommendations and the project within ninety (90) days of the adoption of this report.**

23. Erection and Completion of 1 No. ECDE Classroom and Two (2) Door Pit Latrine at Lukhome Baptist Primary School

The County Executive through Department of Education awarded a contract for erection and completion works for 1 No. ECDE classroom and two (2) door pit latrine at Lukhome Baptist Primary School for a contact sum of Kshs.1,495,570. The contractor was paid Kshs.1,238,403.94 for certificate number 1. Audit inspection conducted in the month of July, 2025 revealed the following; -

i. The ECDE classroom was complete and in use.
ii. The floor was already peeling off an indication that it was not done as per the proper cement mixing standards.
iii. The pit Latrine was abandoned after excavation was done.
iv. The excavated pit is filled with rain water and is not properly covered thereby posing great danger to the pupils learning at the school. Further, as a result of the stalled latrine construction, the learners in the school with a population of about 600 pupils have been greatly disadvantaged and forced to share the existing 6 door pit latrine available which is currently in a deplorable state.

Management Response

i. **The floor was peeling off and stalled pit latrine**

Management directed the contractor to make good the defects and complete construction of the stalled pit latrine which was not done. Management had omitted payment of Ksh. 257,166 of the pit latrines in the payment certificate as per the attached measurement sheets. The contractor has been directed to resume site with immediate effect.

ii. **Excavated pit**

Management has provided measures to ensure children as safe and protected from the excavated pit.

In the circumstances, the value for money has not been realized from this project.

Committee Observations

The Committee observed that there was a need to ensure that section 149(1) of the Public Finance Management Act, Cap 412A were adhered to. This provision of law states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

(a) lawful and authorized; and

(b) effective, efficient, economical and transparent

Committee Recommendations

The Committee recommends that—

1. **the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, Cap 412A and the Public Finance Management (County Government) Regulations, 2015;**
2. **the Management should prepare and submit a progress & implementation report on these recommendations and the project within ninety (90) days of the adoption of this report.**

24. Lack of Ownership Documents for Construction of Vocational Training Centres

The Department of Education of Bungoma County Executive contracted various contractors for the construction of several Vocational Training Centres (VTCs) and Early Childhood Development Education (ECDE) centres at a total cost of Kshs.6,462,916 as follows; -

i. Construction of Komosong Model ECDE Centre at Cheptais – Kshs.4,688,716

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ii. Fencing and Construction of 1 No. classroom at Ngoli VTC. (Craft Centre) at West Bukusu – Kshs.1,774,200

However, management did not provide ownership documents for the land on which the centres are being constructed, including title deeds, leases, or memoranda of understanding for use of the parcels of land.

In the circumstances, the land ownership status of the land where the ECDE centres and VTC centres are situated could not be confirmed.

Management Response

Management has provided a copy of the land title deed for Komosong Model ECDE Centre. The agreement with Ngoli VTC at West Bukusu has been attached.

Committee Observations

The Committee observed that in failing to submit the required title documents at the time of auc the Management was in breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 41 which provides that a person shall not without justification, fail to provide information requir under the Act.

Committee Recommendations

The Committee recommends that the Management undertake administrative action agai the county officers responsible for the breach of section 62(1)(b) and (c) of the Public Au Act, Cap 412B and issue a written update on this matter within ninety (90) days of t adoption of this report.

25. Failure to Transfer Funds to Kimilili and Bungoma Municipalities

During the year under review, the County Executive of Bungoma did not transfer funds that were budgeted for Bungoma and Kimilili Municipalities but the funds were spent by the County Executive on behalf of the two Municipalities. Further, the operations were carried out by the County Executive through the Departments of Lands, Housing, Urban Areas Development and Physical Planning, and Road and Public Works. This was contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipalities executive authority as delegated by County Executives.

Management Response

Management agrees with the audit observation. Management has opened the two Municipality Special Purpose Account for recurrent. County Treasury has transferred funds for operations to the new accounts. Attached are Municipality Bank statement extracts showing transfers

from the Couty Revenue Fund.

Meanwhile, a request has been received from the two Municipalities to open Special Purpose Accounts for Development. The request has been approved awaiting account opening by Central Bank of Kenya. Attached are the approved requests.

Committee Observations

The Committee observed that the County Executive's failure to transfer funds and functions to the municipalities undermines their legal autonomy and is a violation of the constitutional principles of devolution.

This is a breach of:

1. Section 21(1)(a) of the Urban Areas and Cities Act, Cap 275, which gives municipalities executive authority as delegated by County Executives.
2. Article 174 of the Constitution, which outlines the objects of devolution, including giving powers of self-governance to the people and recognizing the right of communities to manage their own affairs.
3. Article 6(2) of the Constitution, which states that governments at the national and county levels are distinct and inter-dependent and shall conduct their mutual relations on the basis of consultation and cooperation (this principle applies by analogy to county-municipality relations).

Committee Recommendations

The Committee recommends that the Governor transfers the roles, functions, and funds to the municipalities as specified in the Urban Areas and Cities Act, Cap 275, to grant them the operational autonomy needed to manage their responsibilities effectively.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Incomplete Fixed Assets Register

The statement of financial position reflects Property, Plant and equipment balance o Kshs.1,832,761,089 as disclosed in Note 15 to the financial statements. The amount relates to lanc motor vehicles, equipment and other machinery, furniture and fittings, computers and IC equipment and work in progress. However, the Management did not maintain a proper fixed asse register showing the date of acquisition, name of supplier, details of the asset, cost/valuatio amount, depreciation amount for the year, accumulated depreciation and net book value.

In the circumstances, control over the assets is not effective, efficient, economical and transparent.

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Management Response

i. **Non-Current Asset Register.**

Management is still updating the asset register of opening balance of non-current assets as indicated in the draft asset register in appendix 1a. IPSAS 45 on Property, Plant and Equipment allows a first-time adopter a period of up to three years from the date of adoption of IPSASs to fully comply with non-current asset reporting and disclosure. The attached accrual transitional guidelines issued by National Treasury have further allowed entities a period of three years to fully report and account for non-current assets.

ii. **Asset Management Unit**

To strengthen the institutional capacity in asset management, an Assets Management Committee and a Unit has been established. The committee has been mandated to ensure a complete asset register is in place by 30th June, 2026. Attached is a letter appointing the committee and Head of Assets Unit.

iii. **Inter-Governmental Relations Technical Committee**

Management is also waiting for the Inter-Governmental Relations Technical Committee Report and gazettement of specific asset classes to be transferred to the County Government. This will enable preparation of a full assets register and comply with the National Treasury deadline of 30th June 2027.

Committee Observation

The Committee observed that the fixed assets register provided by the management lacks proper descriptions of various assets, thus failing to meet the legal standard for maintaining such a register.

This is a breach of:

1. Regulation 22 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015, which requires the accounting officer to prepare financial reports that reflect a true and fair view of the financial position of the entity. An incomplete asset register prevents this.
2. Regulation 136 of the PFM (County Governments) Regulations, 2015, on the responsibility for maintaining a register of assets.

Committee Recommendation

The Committee recommends that the County Executive ensures the asset register is proper and detailed, in accordance with Regulation 22 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015, within 90 days after the adoption of this report.

2.Repairs and Maintenance of Server Room

The County Executive through the Department of Public Service Management, paid Kshs.620,000 for the maintenance of server, server room and LAN at the headquarters. The audit of the payment voucher and supporting documentation revealed the following unsatisfactory matters: -

i. The payment of Kshs.620,000 was a pending bill of the works which was completed for the upgraded server room;
ii. The County Executive did not budget for continuous repairs and maintenance of the server room which was last done on 19 June, 2023;
iii. There is no BMS-Server Building Management system installed in the facility to warn on possible fire outbreak, and
iv. The fire extinguishers in the building were last serviced in the year 2011.

In the circumstances, there are no proper risk management measures put in place to ensure safety of staff and property by the county government.

Management Response

Management agrees with the audit finding. The work specification of the contract did not provide for BMS-Server Building Management system and servicing of fire extinguishers. Management will make a budgetary provision for repairs and maintenance of the server room and servicing of fire extinguishers in the Financial Year 2026/2027.

Committee Observation

The Committee observed that the County Executive's payment of Kshs.620,000 for server and LAN maintenance lacked prior budgeting and proper planning. Furthermore, the absence of functional fire safety equipment and a Building Management System exposes county staff and property to significant safety hazards. This represents a serious failure in risk management.
This is a breach of:

1. Regulation 139 (1) of the Public Finance Management (County Government) Regulations, 2015, which requires the Accounting Officer to take full responsibility and ensure preventative mechanisms are in place to eliminate security threats, losses, and wastage.
2. Paragraph 12 of Part II of the Fourth Schedule of the Constitution, which lists "Fire fighting services and disaster management" as a function of county governments.
3. Article 201(d) of the Constitution, on the prudent and responsible use of public money (paying a pending bill for unbudgeted, completed works is not prudent).
4. Section 68 (2) (a) of the PFM Act, Cap 412A, on ensuring all expenditure is lawful and

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authorized (i.e., budgeted for).;

Committee Recommendation

1. **The County Executive ensures all buildings have adequate and properly serviced fire-fighting equipment, in discharge of its constitutional mandate under Paragraph 12 of Part II of the Fourth Schedule of the Constitution.**
2. **The Accounting Officer ensures that all risk management measures, including the establishment of fire assembly points and installation of alarm systems, are in place and that an implementation report is submitted within ninety (90) days of the adoption of this report.**

3. Lack of Departmental Training Committee and Training Needs Assessments

Audit review of the training documents provided under the various departments revealed the Departments had not established departmental training committees to manage the training function through the County Public Service Board. Further, the County Executive had not designed a training needs assessment manual to help in training projections, needs and nomination of officers on areas of importance.

In the circumstances, the objective of achieving a competent work force could not be achieved.

Management Response

i. Lack of Departmental Training Committee

Clause A13 of the County Human Resource Management Policy establishes the County Human Resource Management Advisory Committee and Departmental Human Resource Management Advisory Committee. Meetings of these committee are convened monthly to deliberate on all human functions including training. Attached are meeting invitation notices and minutes of the committee.

ii. Training Needs Assessments

Management has directed all authorized officers to prepare and submit training needs assessments in the approved format for further action by the Committee. Submissions from some departments have been submitted as attached.

Committee Observation

The Committee observed that the County Executive lacks several critical governance and operational frameworks, including functional training committees, a skills inventory, an approved ICT policy, and a business continuity plan. This significantly hampers the development of a competent workforce and exposes the county to operational and data

security risks.

This is a breach of:

1. Public Service Commission Human Resource Policy and Procedures, paragraph 12, Part H.14 (1), which requires authorized officers to develop, update, and maintain a skills inventory.
2. Regulation 158 of the PFM (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure the entity, develops a system of risk management and internal control. The absence of an ICT policy, business continuity, and disaster recovery plans is a failure in this regard.
3. Section 62(1)(b) and (c) of the Public Audit Act, Cap 412B, for failing to provide the required information at the time of audit.

Committee Recommendation

1. **The County Governor takes administrative action against the county officers who failed to provide the required information at the time of the audit, in line with section 156 of the PFM Act, Cap 412A.**
2. **The County Executive fast-tracks the approval and implementation of the ICT Policy, Business Continuity Plan, and Disaster Recovery Plan to ensure robust risk management, as required by Regulation 158 of the PFM (County Governments) Regulations, 2015.**

4. Lack of County Human Resource Skills Inventory

The audit review revealed that the County Executive has not developed, implemented or maintained any skills inventory for officers. This is to ensure that the performance of all officers is evaluated and feedback on performance is relayed in writing at the end of the year, develop and implement the internal monitoring, evaluation and reporting system in accordance with the Public Service Commission Human Resource policy and procedures, paragraph 12. Part H.14(1) which states that Authorized Officers are expected to develop, update and maintain a skills inventory for all officers in their respective Departments for purposes of identifying the available, and the required skills.

In the circumstances, the objective of achieving a competent work force could not be achieved.

Management Response

i. Skills Assessment Audit

Management in October 2025 conducted a skills audit developed a link to capture skills inventory for all officer in county public service. A circular was issued to all officers to submit their skills. A reminder was done to staff on. Manual collection of staff inventory in October