THE SENATE

THIRTEEN PARLIAMENT (FOURTH SESSION)

COUNTY PUBLIC ACCOUNTS COMMITTEE

THE REPORT OF THE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF COUNTY EXECUTIVES FOR THE FINANCIAL YEAR 2023/2024

VOLUME II

CLERKS CHAMBERS'
PARLIAMENT BUILDINGS
NAIROBI

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LIST OF ABBREVIATIONS AND ACRONYMS

CBS	Chief of the Order of the Burning Spear
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plans
COB	Controller of Budget
CoK	Constitution of Kenya
CPSB	County Public Service Boards
EACC	Ethics and Anti-Corruption Commission
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information, Communications Technology
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Personnel Payroll Data
IPSAS	International Public Sector Accounting Standards
OAG	Office of Auditor General
PBO	Parliamentary Budget Office
PFMA	Public Finance Management Act
PPDA	Public Procurement and Disposal Act
PSASB	Public Sector Accounting Standards Board
SO	Standing Orders
SRC	Salaries and Remuneration Commission

GLOSSARY OF TERMS

Term	Simplified Meaning
Under Expenditure	Non-utilization of funds allocated for a specific purpose hence denying the public services/goods required
Pending Bills	This arise as a result of failure to make payments after more than 90 days credit time usually provided by the suppliers of Goods /services rendered but which the payments are not honoured.
Unsupported expenditure	Expenditure incurred no supporting documents to confirm/support such expenditures or no such documents were availed for audit purposes
Unbanked revenue	Revenues collected but not deposited in the official County Governments revenues accounts
Unbudgeted Expenditure	Expenditures incurred on goods or services which were not included in the budget
Outstanding Imprests	Money advanced to public officials but not accounted for/surrendered as required contrary to the PFM regulations
Irregular Payments	Expenditures incurred without following the due procedures put in place
Over (Excess) Expenditure	Expenditures incurred over and above the amount provided in the budget
Unaccounted expenditure/expenses	Expenses that cannot be accounted for, or goods were delivered but not recorded upon receipt
Under reporting of revenue	Revenue collected but not submitted to the county revenue fund, revenue collected and utilized at source or revenue differentials that could not be accounted.
Uncompleted/stalled projects	Projects which are started but are abandoned midway hence no value to the public leading to wastage or variation
Nugatory expenditure	Expenditures or financial losses that could have been avoided with better planning which may include payment of penalties and interests
Unqualified Opinion	This arises when the Auditor General is satisfied with documentation presented for review. It implies that there are no major problems with documentation and information that were presented for assessment and the funds are managed properly.
Qualified Opinion	This is as a result of Auditor General finding some problems that are not widespread or persistent with documentation and information supplied. The auditor received all the information required for audit. However, after review the audit reveals there are some gaps in adherence and compliance to legal procedures and budge
Adverse Opinion	An adverse opinion occurs when the Auditor General is able to review the entity's documentation supplied for audit purposes and the final audit reveals problems that are widespread and pervasive and will require considerable changes to remedy. This is equivalent to scoring a pass in an examination. Oversight institutions are concerned to recommend remedies to address such anomalies and systems.
Disclaimer	A disclaimer is when the auditor is unable to review fully an entity's documentation because there is a substantial amount of information that

is missing. The absence of information makes it hard and difficulty for the Auditor General to make an opinion. In other words, the auditor feels unable to determine whether the situation is qualified or adverse because the paperwork is not adequate.

PREFACE

Mr. Speaker Sir,

Parliamentary Committees are created as per Article 124(1) of the Constitution which empowers each House of Parliament to establish Committees and make Standing Orders (SO) for the orderly conduct of its proceedings, including the proceedings of its Committees.

The Senate County Public Accounts Committee is established pursuant to Standing Order 193 of the Senate Standing Orders and is mandated: -

a. Pursuant to Article 96(3) of the Constitution, to exercise oversight over national revenue allocated to the county governments;
b. Pursuant to Article 229(7) and (8), to examine the reports of the Auditor-General on the annual accounts of the county governments;
c. To examine special reports, if any, of the Auditor-General on county government funds; and
d. To exercise oversight over county public accounts.

Mr. Speaker Sir,

The membership of the Committee comprises of the following Senators: -

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

The Committee Secretariats comprises of the following Parliamentary Service Commission officers-

Committee Secretariat

The secretariat comprises of the following members of staff;

1)	Mr Njenga Njuguna	- Director, Governance and Accountability
2)	Ms. Emmy Chepkwony	- H.O.D, Department and Other Select Committees
3)	CPA. Joash Kosiba	- Chief Fiscal Analyst
4)	Mr. George Otieno	- Principal Clerk Assistant II
5)	Mr. David Angwenyi	- Clerk Assistant I
6)	Mr. Crispus Tima	- Clerk Assistant I
7)	Mr. Kevin Kibet	- Clerk Assistant II
8)	Mr. Malcolm Ngugi	- Legal Counsel
9)	Mr. Hussein Salat	- Fiscal Analyst II
10)	Ms. Keziah Muthama	- Fiscal Analyst III
11)	Ms. Joan Mahinda	- Research Officer III
12)	Ms. Annete Khayela	- Research Officer III

13) Mr. Osman Hire - Research Officer III
14) Mr William Zenton - Audio Officer
15) Mr. John Chege - Serjeant-at-Arms

Mr. Speaker Sir,
The County Public Accounts Committee being a Select Committee, the Committee was constituted at the commencement of the Fourth Session in February, 2025 pursuant to Senate Standing Order 193(4) which requires Public Accounts Committee constituted immediately after a general election shall serve for a period of three sessions and that constituted thereafter shall serve for the remainder of that term of Parliament. Therefore, the committee commenced its sitting on February ,2025

Mr. Speaker Sir,
The Senate Committee on County Public Accounts is the avenue through which the Senate, under the provisions of Article 96(3) of the Constitution, carries out the ex-post scrutiny of County Government Budgets.

Mr. Speaker Sir,
The Committee largely relies on the report of the Auditor General, the Controller of Budget, the Technical Brief by the Parliamentary Budget Office (PBO), and other stakeholders as key instruments for its ex-post scrutiny of County Governments' Budgets.

Mr. Speaker Sir,
The reports of the Auditor General on the county governments reports is divided into three (3) main sections. The first section covers the report on the financial statements which provides a view on whether the financial statements present a true and fair view of the financial position and performance of the entity, whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statement financial soundness of statements.

Secondly, the report on lawfulness and effectiveness in the use of public resources confirms whether or not public money has been applied lawfully and in an effective way and whether or not, in all material respects, the activities, financial transactions, and information reflected in the financial statements comply with the law and other authorities that govern them as provided under Article 229(6) of the constitution on lawfulness and efficiency.

Finally, the report on internal control, risk management, and governance will give an assurance on the effectiveness of internal controls, risk management, and overall governance at the national and county levels as required under section 7(1) (a) of the Public Audit Act,2015.

Mr. Speaker Sir,
The Public Sector Accounting Framework/Standards
The National Treasury in consultation with the Public Sector Accounting Standards Board issues templates to guide the county governments in their financial statements and reporting which are in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS).

The guidelines and standards are intended to enhance the quality of financial reports and improve compliance with internal controls within the public sector. The financial statements include the following:-

a) A statement of receipts and payments - financial performance;
b) A statement of financial assets;
c) Statement of cash flow;
d) County's own source revenue financial position;
e) A statement of changes in net assets;
f) A statement of accounting policies and notes to the financial statements; and
g) A statement of performance including entity's statements on processes and systems audit against predetermined objectives.

Mr. Speaker Sir,
Accounting Officers are required to prepare financial statements in a form that complies with the relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012.
The Accounting Officers are required to abide by the laid down formats of reporting which the Auditor General uses to assess the financial statements presented. In this regard, the accounting officers should institute strict measures to ensure that their respective county governments put in place proper record-keeping systems and adherence to the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012 and ensure strict adherence to Section 149 of the PFM Act.

Management is responsible for preparing and presenting fair financial statements and for internal controls to ensure that they are fair, fully disclosed, and free from fraud and errors.

Mr. Speaker Sir,
The Objectives of the Audit Report
The overall objective of all these legal provisions is to ensure that public finance is geared towards the promotion of fairness, openness, and transparent use and utilization of public funds within the county governments and the public sector as a whole. In particular, the Public Procurement and Asset Disposal Act of 2015 entails the acquisition of goods and services in a manner that enhances access, competition, and fairness and results in value for money for overall benefits to the citizens.

Specifically, the report seeks to:

i. Assess whether the management framework for financial reporting and audit responsibility is in place;

ii. Check compliance with regard to soundness of financial management including compliance with relevant legislations, policies and guidelines within the devolved units (the county governments); and

iii. Assesses the extent to which a framework in place meets the set requirements and functions as intended.

Mr. Speaker Sir,

The following framework has been used to analyse the Audit reports –

(a) **Adherence to the legal framework: -** Chapter twelve of the Constitution and respective legislations not only guide Public Financial Management in Kenya right from the budget process at preparation to execution but also accounting for the resources both at the national and at the county level. The analysis will evaluate to what extent accountability of resources adheres to the legal framework.

(b) **Adherence to the standards by the form and format of audit reports of counties:-** The audit reports of counties are expected to follow the set standards by the Auditor General and which are expected to be uniform across all counties. The evaluation and analysis will be on how many counties are following this format.

(c) **Fiduciary Risk**: This will be an assessment on the level of misapplication and misappropriation of resources. This relates to the likelihood that funds are not used for the intended purpose, do not achieve value for money and are not properly accounted for.

EXECUTIVE SUMMARY

The County Public Accounts Committee (CPAC), exercising its constitutional mandate under Article 124(1) of Kenya's Constitution, conducted a comprehensive analysis of Auditor-General reports for all 47 counties during the Financial Year 2023/2024. This rigorous examination revealed systemic weaknesses in public financial management across county governments, with a staggering cumulative fiduciary risk exposure of **Ksh. 532.67 billion** as shown in Annex 1.0 of this report. Nairobi County emerged with the highest exposure at **Ksh.157.36 billion**, followed by Kakamega (Ksh. 41.52 billion) and Machakos (Ksh. 28.27 billion), while Murang'a (Ksh. 5.27 million) and West Pokot (Ksh. 115.57 million) recorded the lowest exposures.

The Committee's detailed analysis of select audit issues identified **Ksh. 87.13 billion** in particularly egregious violations as shown in annex 2.0 of this report, categorized as follows:

a) **Irregular Expenditure**: Ksh. 39.09 billion (44.9% of total violations);
b) **Unsupported Expenditure**: Ksh. 4.97 billion;
c) **Unbudgeted/Excess Expenditure**: Ksh. 13.93 billion;
d) **Stalled Projects**: Ksh. 7.59 billion; and
e) **Value for Money Concerns**: Ksh. 9.57 billion.

The Committee uncovered multiple layers of financial mismanagement, including:

1. **Financial Reporting Deficiencies**: There is widespread failure to maintain accurate financial records, with significant discrepancies between financial statements and IFMIS balances. Many counties presented incomplete documentation during audits, rendering verification impossible.
2. **Procurement Violations**: Systemic breaches of the Public Procurement and Assets Disposal Act (2015) through irregular single sourcing, contract splitting, and unauthorized variations.
3. **Budgetary Non-compliance**: Frequent reallocation of development funds to recurrent expenditures without County Assembly approval, coupled with severe under-absorption of development budgets.
4. **Human Resource Mismanagement**: Rampant irregular recruitment practices leading to ghost workers, excessive casual employment beyond legal limits, and improper compensation, including overpayment of allowances.
5. **Wage Bill Crisis**: Only 11 counties complied with the 35% wage bill ceiling, while 16 counties exceeded 50% of their revenue on wages, severely constraining operational and development budgets.

6. **Asset Management Failures**: Lack of updated asset registers for both inherited and newly acquired assets, exposing counties to significant risks of mismanagement and loss.
7. **Revenue Collection Shortfalls**: Persistent failure to collect outstanding revenues (property rates, land rates, mineral royalties) due to ineffective enforcement and outdated valuation rolls based on historical rather than current market values.
8. **Pending Bills Crisis**: Accumulated pending bills totaling Ksh. 181.9 billion (Ksh. 179.87 billion by County Executives and Ksh. 2.11 billion by County Assemblies), threatening county creditworthiness and service delivery.

The Committee identified particularly troubling practices, including:

(i) Processing payments outside the IFMIS platform, circumventing financial controls;

(ii) Irregular imprest management with multiple unrecovered advances;

(iii) Unauthorized funding of the Council of County Governors; and

(iv) Incomplete and non-utilized projects representing significant wasted investments.

These findings paint a concerning picture of financial governance at the county level, revealing both systemic weaknesses in financial management systems and potential instances of malfeasance.

ACKNOWLEDGMENT

The Senate County Public Accounts Committee thanks the Office of the Speaker and the Clerk of the Senate, The Parliamentary Budget Office (PBO) for the unwavering support received as it discharged its mandate by reviewing and analysing the Auditor General's Report on the County Governments and the secretariat for their support during the preparation of the report.

The Committee acknowledges with gratitude the commitment of its members, who keenly participated and contributed their input during the preparation of the report.

Mr. Speaker Sir,

It is now my pleasant duty, pursuant to Standing Order 193, to present the Report of the County Public Accounts Committee on the Assessment of Fiduciary Risk Exposure for County Executives for the FY 2023/2024.

Signed....................................... Date...

SEN. MOSES KAJWANG', CBS, MP
CHAIRPERSON,
COUNTY PUBLIC ACCOUNTS COMMITTEE

ACKNOWLEDGEMENTS

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

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

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

Mr. Speaker Sir,

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

Mr. Speaker Sir,

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

SIGNED: ....

DATE: 26 March 2025

SEN. MOSES OTIENO KAJWANG', CBS, MP

CHAIRPERSON

CHAPTER ONE: BACKGROUND

1.1 Introduction

1. The 2010 Constitution established two levels of government that are distinct and interdependent. The Constitution therefore set two levels of governance in relation to political representation at the lower level through County Assemblies and the national political representation through bicameral Parliament comprising of the National Assembly and the Senate. It also set the financial devolution at the two levels of governments at the county level and national level.
2. Further to ensure that county governments are not starved of funds to carry out functions and powers assigned to them under schedule 4 of the Constitution, Article 202 guarantees that national government makes fiscal transfers to the counties of at least 15% of the nationally raised revenue every financial year.
3. The Constitution under Article 174 sets out the objects of devolution and gives power to the people for self-governance through participation of the people in the exercise of decisions affecting them and managing their own affairs and development. Key to this feature is ensuring equitable share of national and local resources. It also confers to facilitate devolution of state organs and their functions and services.
4. The Constitution under Article 201 outlines the principles of public finance management to be observed at both levels of government and these includes the following; openness, and accountability, public participation, prudent and responsible financial management. Further to enforce this accountability, the constitution sets various institutions at the national and county levels to ensure promotion of accountability, and openness for prudent and responsible financial management.
5. The accountability institutions include oversight of the executive at the county level exercised by the county assemblies, and national institutions of parliament (national assembly and the senate) through various legislative processes and legislations. Similarly, independent offices of the auditor general, the controller of budget and other constitutional commissions enforce accountability and responsible public financial management.
6. The National Government has made fiscal transfers to the county governments over the last five years comprising of both equitable share of nationally raised revenue and conditional grants. However, it has been argued that there is little impact on development across the country. The piecemeal progress in some counties is not commensurate to the substantial resources transferred to the counties. This has been attributed to poor planning, misappropriation of funds and inadequate capacity at the county level.
7. Over the years it has been observed that each financial year the Auditor General raises a number of audit queries on the county's financial management practices. The queries relate to financial expenditures in monetary terms and others are non-monetary. This report reviews the audit queries raised by the Auditor General on the county government's Public Finance Management over the second phase of devolution.

1.2 Objectives and Scope of the Report

8. The Auditor General reports on the county government's audit queries do not mention the level of implementation of the previous years' audit recommendations. In accordance with the International Public Sector Accounting Standards (Cash Basis) requirements that a report on follow-up of the previous year's audit recommendations, the report should highlight the extent of addressing some of the challenges identified. The audit recommendations may include challenges that could be addressed by recruitment of experienced staff and capacity building by provision of relevant training, strengthening implementation of PFM reforms among others. this index may help in comparing whether counties are machining improvements in financial management or worsening over time and the overall performance in terms of implementing audit recommendations. This will provide a proxy measure to monitor the impact of the audit recommendations measured by the implementation level of the recommendation as either fully, partial or not implemented and hence increase value for money.
9. Ordinarily, the National Treasury in consultation with the Public Sector Accounting Standards Board issues templates to guide the county governments in their financial statements and reporting which are in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS). The guidelines and standards are intended to enhance quality of financial reports and improve compliance with internal controls within public sector. The financial statements include the following—
   a) A statement of receipts and payments - financial performance;
   b) A statement of financial assets
   c) Statement of cash flow
   d) County own source revenue financial position;
   e) A statement of changes in net assets;
   f) A statement of accounting policies and notes to the financial statements;
   g) A statement of performance including entity's statements on processes and systems audit against predetermined objectives.
10. Accounting Officers are required to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012.
11. The accounting officers are required to abide by the laid down formats of reporting which the Auditor General use to assess the financial statements presented. In this regard, the accounting officers should institute strict measures to ensure that their ministries/ departments put in place proper record keeping systems and adherence to the Public Sector Accounting Standards Board in accordance with the Public Finance Management Act, 2012 and ensure strict adherence to Section 149 of the PFM Act; finally, an officer must be held personally responsible and be duly surcharged for all the unsupported expenditure.
12. The management has the responsibility for the preparation and presentation of fair financial statements and for internal controls to ensure that financial statements are fair with full disclosures and free from fraud and errors.

13. The objectives of this report is to ensure that the management framework for financial reporting and audit responsibility is in place and that financial management is being processed in compliance with relevant legislations, policies and guidelines within the devolved units – the county governments. It also assesses the extent to which a framework is in place and meets the set requirements and functions as intended.
14. The overall objective of all these legal provisions is to ensure public finance is geared towards promotion of fairness, openness and transparent use and utilization of public funds within the county government and public sector as a whole. In particular, the public procurement and Asset disposal Act entails acquisition of goods and services in a manner that enhance access, competition and fairness and results in value for money for overall benefits to the citizens.

1.3 Methodology

The following framework was used to analyze the Audit reports-

(a) Adherence to the legal framework: -

15. Public Financial Management in Kenya is guided by Chapter twelve of the Constitution and other pieces of legislation which guide the budget process right from Preparation to execution and accounting for the resources both at the National and at the county level. The analysis will evaluate to what extend accountability of resources adheres to the legal framework. This report relies on audit queries raised by the Auditor General. The queries are quantified in monetary terms where applicable and others may be non-monetary queries such as adherence to laws, poor book keeping records, fairness and completeness of the records presented for audit assessment.

(b) Adherence to the standards by the form and format of audit reports of counties:

16. The audit reports of counties are expected to follow the set standards by the Auditor General and which are expected to be uniform across all counties. The evaluation will be on how many counties are following the format.

(c) Fiduciary Risk:

17. This was assessed on the basis of the extent of misapplication and misappropriation of resources. Specifically, this relates to the likelihood that funds are not used for the intended purpose, do not achieve value for money and are not properly accounted for. This is underpinned by Article 201 ((d) and (e) which requires that public money shall be used in prudent and responsible way.

1.4 The Underpinning Legal Basis

a) Report on the Financial Statements

2 Constitution under Article 229(7) requires the Auditor-General to audit and submit reports to Parliament or the relevant County Assembly within six (6) months after the end of the financial year.

3 The Public Finance Management Act,2012 under section 164(4) requires the accounting officer of the county government entity within three (3) months after the end of each financial year submit the entity's financial statements to the Auditor-

General s in a form that complies with relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board from time to time.

4 The Public Audit Act, 2015 provides that within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on the accounts specified in Article 229 of the Constitution.

5 The Audit Reports are in conformity with the constitution and other Acts of Parliament that governs application of the public funds. Generally, these laws attempt to give assurance on effectiveness of internal control, risk management; undertake audit activities to ensure public funds are applied lawfully and in an effective way.

6 The Auditor General gives her views on whether the financial statements present a true and fair view of the financial position and performance of the entity, whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

7 Some of the noted serious inadequacies in the financial statements of County Governments as reported by the Auditor General namely:

a) Inaccuracies in the financial statements where the Auditor general could not confirm the accuracy and completeness of the financial statements;
b) Variances between the financial statements and IFMIS records;
c) Variances between the financial statements and supporting schedules; and
d) Variances between financial statements and trial balance.
e) Variances Between the Financial Statements and the Report of the Controller of Budget.

Table 1.1: Summary of County Executive Audit Opinions for FY 2023/2024

FY	Category	No of Unqualified	No of Qualified	No of Adverse	No of Disclaimer	Total
2023/2024	County Executive	0	47	0	0	47

Source: Auditor General Report 2023/24

8 The Committee observed that during the FY 2023/24, the Auditor General issued a certificate of qualified opinions to all the 47 county executives.

9 The committee further noted that Nairobi City and Kisumu county that were issued with a certificate of disclaimer and adverse opinions since the onset of devolution were issued with a certificate of qualified opinion for the first time in the FY 2023/24.

10 The committee observed that variances and inaccuracies of the financial statements presented to the OAG for audit is rampant across counties. variances and lack of reconciliations between the financial statements with other records such as IFMIS, trial balance and other records is a recurring audit matter on the Auditor General reports on the financial statements.

11 The committee further noted that issue of inaccuracies in the financial statements in County Governments is majorly on accounts of inadequate capacity by county staff to undertake timely reconciliation between the financial statements and IFMIS ledger due to inadequate capacity to operate various existing IFMIS Modules.

12 The Committee noted that Accounting Officer's failure to comply with section 31(4) of the Public Audit Act,2015 that requires Accounting Officer within fourteen days from the date of receipt of the draft management letter, submit a response to the Auditor-General including remedial actions that have been undertaken to address any qualifications in the draft management letter.

13 The Committee observed that Accounting Officers in County Governments and its entities fail to provide accounting documents to the OAG during the Audit cycle. However, the committee noted that the same documents are provided to the Senate and to the Auditor General for review during the deliberation of the Audit reports by the Committee.

b) Report on Lawfulness and Effectiveness in use of Public Resources

14 Article 229(6) of the Constitution of Kenya, 2010 provides that an Audit report shall confirm whether or not public money has been applied lawfully and in an effective way and whether or not, in all material respects, the activities, financial transactions and information reflected in the financial statements are in comply with the law and other authorities that govern them.

15 The analysis of the Audit Reports indicates persistent flouting of laws and regulations that were introduced to safeguard against misuse of public fund.

Key Contravened Legislations

i. **The Public Finance Management Act,2012 and Public Finance Management (County Government) Regulation, 2015**

a) Unauthorized Payments contrary to regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015
b) Non-Compliance with Law on Fiscal Responsibility on Wage Bill contrary to regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015
c) Long Outstanding Imprests contrary to regulation 93(5) and (6) of the Public Finance Management (County Governments) Regulations, 2015
d) Lack of Internal Audit Committee contrary to section 155(5) of the Public Finance Management Act, 2012
e) Lack of Risk Management Policy contrary to regulation 158 of the Public Finance Management (County Governments) Regulations, 2015
f) Failure to settle pending bill on time as first charge on the County Revenue Fund contrary to regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015
g) Stalled Projects contrary to section 22(2)(g) of the Public Finance Management Act, 2012
h) Non-Compliance with Approved County Assembly Expenditure Threshold Contrary regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015

i) Failure to Submit Financial Statements contrary to section164(4)(a) of the Public Finance Management Act, 2012
j) Failure to Update Non-Current Asset Register contrary to regulation 136 of the Public Finance Management (County Governments) Regulations, 2015
k) Failure to establish County Budget and Economic Forum (CBEF) contrary to section 137(1) of the Public Finance Management Act, 2012
l) Unapproved County Finance Bill contrary to section 132(1) of the Public Finance Management Act, 2012
m) Non-Establishment of County Emergency Fund contrary to section 110 (2) of the Public Finance Management Act, 2012
n) Failure to Transfer Own Revenue to County Revenue Fund contrary to section 109 (2) of the Public Finance Management Act, 2012
o) Unauthorized Reallocation of Funds contrary to section 154 (1) of the Public Finance Management Act, 2012
p) Non-Compliance with Law on Supplementary Budget contrary to section 135(7) of the Public Finance Management Act, 2012

ii. **The County Government Act, 2012**

a) Failure to constitute County Public Service Board contrary to section 56 (1) of the County Government Act, 2012
b) Non-Adherence with the Law on Ethnic Composition in Recruitment contrary to section 65 of the County Government Act, 2012 which requires that at least thirty percent should be filled by candidates who are not from the dominant ethnic community in the county
c) Lack of an Approved Staff Establishment contrary section 55(b) and (c) of the County Government Act, 2012

iii. **The Public Audit Act,2015**

a) Failure to Prepare Financial Statements for Semi-Autonomous Entities contrary to the requirement of section 47(1) and (2) of the Public Audit Act, 2015
b) Lack of Implementations of the Recommendations of Oversight Bodies contrary to section 31(1)(a) of Public Audit Act, 2015

iv. **The Public Procurement and Asset Disposal Act, 2015**

a) Irregular Variation of Contracts contrary to section 139(2) of the Public Procurement and Assets Disposal Act, 2015
b) Irregular Payments of Legal Expenses contrary to section 68(1) of the Public Procurement and Asset Disposal Act, 2015.
c) Failure to Provide Performance Security contrary to section 142(1) of the Public Procurement and Asset Disposal Act, 2015
d) Failure to have Access to Government Procurement Opportunities Regulations to women, youth and persons with disability contrary to regulation 149 of Public Procurement and Asset Disposal Regulations, 2020.
e) Irregular Splitting of Contracts contrary to section 54(1) of the Public Procurement and Asset Disposal Act, 2015
f) Failure to Publish and Publicize Contracts and Use E-Procurement contrary to section 138(1) and (2) of the Public Procurement and Asset Disposal Act, 2015

g) Irregular Use of Restricted Tendering contrary to section 102(1) of the of the Public Procurement and Asset Disposal Act, 2015 which provides conditions for an accounting officer to use restricted tendering
h) Unbudgeted Procurement of goods contrary to section 44(2)(a) of the Public Procurement and Asset Disposal Act, 2015
i) Uninsured Non-Current Assets contrary to section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity shall manage its inventory, assets, and stores for the purpose of preventing wastage and loss and continuing utilization of supplies.

v. **The Employment Act,2007**

a) Un-remitted Payroll Deductions and Taxes contrary to section 19(4) of the Employment Act, 2007
b) Non-Compliance with Two Third Basic Salary Rule contrary to the provisions of section 19(3) of the Employment Act, 2007
c) Casuals Engaged for More Than Three Months contrary to section 37(1)(b) of the Employment Act, 2007
d) Irregular Staff on Probation for More than six (6) Months contrary to section 42(2) of the Employment Act, 2007

vi. **The National Cohesion and Integration Act,2008**

a) Non-Compliance with Law on Ethnic Diversity contrary to section 7(2) of the National Cohesion and Integration Act, 2008.

vii. **The Intergovernmental Relations Act, 2012**

a) Irregular Payment to Council of Governors contrary to Intergovernmental Relations Act, 2012
b) Failure to Identify, Verify and Validate Assets of Defunct Local Authorities contrary to gazette notice No.2701 of the Intergovernmental Relations Act, 2012.

Subsidiary Laws

16 In addition to the legislations governing public finance management, there are several subsidiary laws that enforce and give legal compliance.

17 The Committee further noted that County Government breached several circular and gazette notices from National Treasury and constitutional commissions.

18 The committee observed that several County Governments paid Special House Allowances contrary to SRC circular issued on 10 December, 2014 which did not permit the payment of the special house allowance. Some of the circulars are: -

- Salaries and Remuneration Commission Circular on allowances in the Public Service.
- Salaries and Remuneration Commission Circular on group medical scheme for all public officers serving in the County Governments.
- Salaries and Remuneration Commission (SRC) Circular on guidelines on housing benefits for Governors, Deputy Governors and County Assembly Speakers with a deadline of 30 June, 2022
- The National Treasury Circular No.13/2019 dated 28 August, 2019 which states that the allocation of personnel emoluments must be supported by Integrated Personnel Payroll Data (IPPD)

- The National Treasury Circular Ref. No. AG.4/16/3 Vol. II (66) of 06 July 2022 Prepare and Submit Financial Statements for Level 4 and 5 Hospitals
- National Treasury Circular on County Governments to resolved prior year audit matters.

c) Report on Effectiveness on Internal Controls, Risk Managements and Governance

19 The Public Audit Act, 2015 under section 7(1)(a) requires the Auditor General to give an assurance on the effectiveness of internal controls, risk management and overall governance at national and county government.

20 The committee noted that county governments operate under weak internal control environment that put county assets, liabilities, records at risk and that internal controls, risk management and overall governance of county governments are not fully effective.

21 Committee further observed with concern that weak internal control systems among County Governments arose due to lack of policies implementations to guide operations.

22 The committee also noted that most county governments have not put in place an approved policy for effective internal controls, risk managements and governance while some county government have put in place some policies which have not been operationalized or communicated to county departments for implementation.

23 Some of the Key policies that have not been established includes-

- Information Communications Technology (ICT) Policy;
- Human Resource Management Policy;
- Risk Management Policy and Disaster Recovery Plan
- Lack of Recruitment Policy and staff training Policy

CHAPTER TWO: ANALYSIS AND FINDINGS OF SELECT FIDUCIARY RISKS FROM AUDIT REPORTS OF COUNTY EXECUTIVES FOR FY 2023/24

24 The Constitution under Article 201 requires that public money shall be used in a prudent and responsible way and that financial management shall be responsible and fiscal reporting be clear. Therefore, all government agencies are required to strictly adhere to this provision of the constitution.

25 The Auditor General is mandated by the Constitution to Audit and report in respect to each financial year on the accounts of the National and County governments including all Independent Offices and Constitutional Commissions and other public institutions. In this regard all entities that receive funds from the exchequer and those entities required by legislation to submit financial statements to the Auditor General must do so within three months after the end of the financial year.

26 The Auditor General is required to audit these accounts and report to Parliament - National Assembly/ Senate in the case of national institutions and to the County Assemblies within six months.

27 This report which covers the period FY 2023/24 indicates that substantial resources were misappropriated and at the same time counties entered into commitments where there were either no budget allocations or the allocations were inadequate and therefore the level of fiduciary risk was high.

28 The report details key anomalies in the audit reports of county governments that expose counties to fiduciary risks. These are classified into the following broad categories;

a) Unsupported expenditure
b) Stalled and incomplete projects
c) Irregular expenditure
d) Outstanding imprest
e) Unaccounted expenditure
f) Poor human resource management and challenges
g) Unbudgeted / excess expenditure
h) Lack of assets register
i) Under expenditure
j) Lack on internal audit committee
k) Non-compliance with the fiscal responsibility principle on wage bill
l) Lack of risk management policy
m) Uncollected revenues
n) Pending bills
o) Use of outdated valuation roll
p) Unremitted payroll deductions

2.1 Irregular Expenditure

29 The PFM Act, 2012 under section 162 requires that a public officer to ensure that resources within the officers' area of responsibility are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

30 Irregular expenditure occurs when expenditure incurred by county governments and its entities do not comply with the due procedures in place.

31 The Committee further observed that County Governments has over the years incurred expenditure contrary to the Public Finance Management Act,2012 and other applicable laws. Some expenditure incurred by counties which are irregular in nature includes; subscriptions made to the Council of Governors (CoG), payments made to regional bodies and expenditure incurred on County Assemblies.

32 The CoG is established under section 19 of the Intergovernmental Relations Act, 2012 to promote a forum for consultation amongst county governments. The Act provides that the operational expenses of the council be included in annual estimate of the National Government.

33 The Committee noted that despite operational expenses of the CoG included in the national government expenditure estimates, counties continue to remit subscriptions to the council annually to the tune of **Ksh. 3.0** million per county.

34 The Committee observed that this subscription is irregular and amounts to duplication as operational expenses of the council are included in the annual expenditure estimate of the national as provided under section 37(b) of the Intergovernmental Relations Act, 2012.

35 The Committee further observed that County governments continue to funds the activities of economic regional blocks comprising of counties with similar geographical or common economic interests. There are six (6) regional economic blocks that draw funds from county government without an existing legal framework and on whose books of accounts are not audited by the OAG. These economic blocks include; Frontier Counties Development Council (FCDC), South Eastern Kenya Economic Block, Mt. Kenya and Aberdare Economic Block, North Rift Economic Block, Lake Region Economic Block and Jumuiya ya Kaunti za Pwani.

36 The committee noted that county governments continue to fund activities of the county assemblies despite county assemblies having their own budget to fund such activities. Some of the county assemblies' activities funded by county executive includes; retreats for consideration of key budget statutory documents such as the County Fiscal Strategy Paper (CFSP), the budget estimate, finance bill amongst others.

37 The committee further noted with concern that County Assemblies' members attends retreats organized by county executive where they are paid per diems and other allowances leading to conflict of interest and will erode the oversight role of the county assemblies.

38 The Committee observed county governments have constantly breached the PFM (county government) Regulations, 2015 paragraph 25(f) on the threshold of county assembly expenditure which should not exceed seven per cent of the total revenues of the county government or twice the personnel emoluments of that county assembly, whichever is lower.

39 The committee noted that during the FY 2023/24, the Auditor General reported an irregular expenditure amounting to Ksh.39.1 billion incurred by the devolved units which represent 45 per cent of the total fiduciary risk exposure during the period under review.

40 The Committee observed that county governments incurred irregular payments without following the due procedures put in place and deserve special attention as they pertained to lack of adherence to PFM Act, 2012, the Public Procurement and Disposal Act (PPDA) and other applicable laws and regulations.

41 The Committee noted that Nairobi City County, Samburu, Kiambu, Wajir and Nandi are the counties where the highest expenditure was incurred irregularly as shown in Table 2.

Table 2.1: County Executives with the highest Irregular expenditure FY 2023/2024		
S/No	**Counties**	**Total irregular expenditure (Ksh. Millions)**
1.	Nairobi City	32,580.0
2.	Samburu	880.8
3.	Kiambu	746.6
4.	Wajir	664.8
5.	Nandi	500.5
6.	Bomet	413.3
7.	Kilifi	395.0
8.	Marsabit	392.7
9.	Lamu	347.7
10.	Bungoma	300.4

Source: Auditor General Report, PBO extract

42 The committee noted that county governments increased irregularities in payment will likely lead to loss of public funds in complete disregards laid down public procedures in various laws including the Public Procurement and Assets Disposal Act,2015 the PFM Act, 2012 among other legislations.

43 The committee noted that during the FY 2023/24, county governments incurred an irregular expenditure /payment amounting to **Ksh. 39.1 billion**. The committee noted with concern that Nairobi City alone incurred expenditure of irregular in nature amounting to **Ksh. 32.5 billion** translating to 83 per cent of the total reported irregular expenditure.

44 Notable cases of irregular expenditure the committee observed includes; Kilifi County Executive made an irregular payment amounting to **Ksh.71.5 million** to private legal practitioner without a written approval from the county executive committee contrary to section 16 of the County Attorney Act,2020. Further the committee noted that Kilifi County Executive paid Ksh**. 13.1 million** for the construction of Mtwapa Law court which is a mandate under the National Government without an agreement with the Judiciary.

45 The Committee observed that Tana River County incurred **Ksh.26.2 million** on the purchase of non-pharmaceuticals from a supplier that is not register with the Pharmacy and Poison Board.

46 The committee noted that Wajir County Executive incurred an expenditure totaling to **Ksh.25.9 million** on the construction of classrooms and administration blocks in primary and secondary schools. The development of this facilities is function under the national government in accordance with the Fourth Schedule of CoK, 2010.

47 The committee observed that Nairobi City County Executive paid **Ksh. 146.3 million** on salaries and arrears to staff of the defunct NMS after the lapse of their contract. this payment was made outside the IPPD system contrary to the guideline on salary payments.

48 The committee noted that Marsabit County Executive paid an insurance totaling to **Ksh.16.5 million** on vehicles that were either grounded or unserviceable during the insured period.

49 The committee observed that the County Executive of Nairobi City entered a joint venture for the design, finance and sale of affordable housing in Woodley estate phase 1 and Kariobangi north estate phase 1 at the cost of **Ksh.31.05 billion**. However, the above contract was not cleared by the Attorney General contrary to section 134(2) of the PPADA, 2015 which requires that an accounting officer of a procuring entity shall ensure that all contracts of a value exceeding Ksh. 5.0 billion are cleared by the attorney General before they are signed.

50 The committee noted that Tana River County Government incurred an expenditure of **Ksh.5.9 million** on the purchase of an animal's vaccines and drugs by the department of Livestock from a supplier not registered with KEVEVAPI which was a required criterion in the tender.

2.2 Unsupported Expenditure

51 Unsupported expenditure is the spending that lacks adequate documentation, such as: approvals, authorization documents, receipts and payment vouchers. Consequently, the Auditor General is unable to confirm the propriety, accuracy and completeness of these expenditures since the documents were either not provided fully or were partially provided during the Audit process.

52 In the FY 2023/24, county executives incurred a total unsupported expenditure of **Ksh. 4,969,104,894**. A further, analysis of the unsupported expenditure revealed that most of the unsupported expenditure arises from the following expenditure items among others;

a) Unsupported payments on construction and civil works where contracts, bills of Quantities were not provided.
b) Unsupported payments on domestic allowances and travel where payment schedules, attendance schedules, back to office reports on benchmarking, boarding passes and purpose of the travel were not provided.
c) Unsupported payment of insurance costs where Motor vehicle registration numbers, valuation reports and policy documents were not provided.
d) Unsupported expenditure on goods and services where payment vouchers, invoices, procurement records and delivery notes were not provided.
e) Unsupported expenditure on office supplies where inspection and acceptance certificates, store receipt and issues certificates, location user and serial numbers were not provided.

53 Analysis of unsupported expenditure in the FY 2023/24 indicates that 16 counties registered unsupported expenditure above **Ksh. 50 million**. Notably, Mandera County has the highest amount of unsupported expenditure at **Ksh. 1,104,719,605** as highlighted in Table 3.

Table 2.2: List of County Executives with Unsupported Expenditure above Ksh.50 million

S/No	Counties	Unsupported Expenditure
1	Mandera	1,104,719,605
2	Kilifi	888,641,649

Table 2.2: List of County Executives with Unsupported Expenditure above Ksh.50 million		
S/No	**Counties**	**Unsupported Expenditure**
3	Marsabit	599,855,953
4	Uasin Gishu	414,338,213
5	Nandi	263,123,996
6	Machakos	211,046,660
7	Samburu	194,397,084
8	Migori	191,595,218
9	Narok	140,190,414
10	Nakuru	135,527,590
11	Wajir	109,461,159
12	Kisii	92,759,029
13	Tana river	74,791,887
14	Garissa	68,054,773
15	Kericho	67,496,553
16	Kakamega	53,759,174

Source: Auditor General Report, PBO extract

54 The committee noted that the Mandera County Executive had an expenditure amount of **Ksh.148,365,078** is in respect of pharmaceutical drugs, non-pharmaceuticals, dressings and lab reagents from Kenya Medical Supplies Authority (KEMSA). However, the expenditure was not supported by way of requisitions from the County health facilities, inspection and acceptance committee reports, counter receipt voucher and counter issue notes and cards. In addition, Review of payment records revealed that an amount of Ksh.45,500,000 was incurred on provision of legal services. However, the expenditure was not supported by a written approval by the County Executive Committee and a request to engage for those services by the respective departments.

55 Further, the committee observed that Kilifi County Executive incurred payments amounting to **Ksh.171,474,043** which were not supported by filled certificate of measured works, site inspection minutes, instructions and detailed report by the inspection and acceptance committee. In addition, physical verification of nine (9) road and bridge projects with a total contract sum of Ksh.182,069,861 revealed that items which were in the Bill of Quantities were omitted including designated footpaths or walkways, drainage, signage, culverts and road markings where applicable.

56 The committee noted that most County Governments did not submit the relevant supporting documents to the auditor during the audit period which is contrary to Section 62 of the Public Audit Act,2015 and Section 31(4) of the Public Audit Act,2015 which requires Accounting Officers within fourteen days from the date of receipt of the draft management letter, submit a response to the Auditor-General including remedial actions that have been undertaken to address any qualifications in the draft management letter.

57 The Committee observed that the unsupported expenditures is an indication of misappropriation and misapplication of public funds.

2.3 Stalled and Incomplete Projects

58 Most counties started projects which they did not complete. This arose out of lack of exchequer, poor planning and lack of prioritization of projects. This did not give value for money and therefore led to wastage of the limited resources.

59 The committee observed that the total amount of resources locked up in stalled projects could not be absolutely ascertained as some audit reports managed to value the projects while others gave the particular projects affected payments.

60 Stalled and incomplete projects hold public funds and denies citizens benefits of service delivery from such projects. It also has the potential to escalate the total project costs as contractors may vary the costs of such projects as a result of delays.

61 Additionally, projects are not on schedule and associated with uncompleted projects are pending bills. It may also lead to litigations against defaulting county governments with a possibility of further delays on project execution. This ties public funds and delays service delivery and associated benefits and social impacts if such projects are completed on time.

62 The committee noted that during the FY 2023/24, projects worth Ksh.7.6 billion have either stalled or are incomplete or a behind schedule against its expected completion deadline.

63 The committee observed that risk associated with stalled and incomplete projects are domiciled in six (6) counties as in Table 4, namely; Isiolo, Kakamega, Machakos, Nairobi City, Nyandarua and Turkana which represent 93 per cent of the total reported expenditure incurred on his projects.

Table 2.3: Expenditure on Stalled and incomplete projects

S/No	Counties	Total expenditure (Ksh. Million)
1	Kakamega	3,149
2	Nairobi city	2,324
3	Turkana	640
4	Isiolo	412
5	Nyandarua	339
6	Machakos	314.3
Total		**7,178.3**

Source: Auditor General Report, PBO extract

64 The committee noted with concern that if not monitored, this trend has the potential to swell over the years especially where there is change of county administration from one governor to another.

65 Each county assembly need to prioritize the projects that have started and are incomplete and ensure they are in their respective County Integrated Development Plans (CIDP) and consequently in the subsequent annual development plans to avert cases of widespread uncompleted projects. The transition from one county administration should be well managed so that it does not impede completion of already started projects.

66 County executive need to take stock of such projects and carry out project appraisal with the objective of ensuring that estimates of such projects are included in the County Integrated Development Plans with total costs, estimated completion time and operationalized. Taskforce to oversee their operationalization would ease the works and be able to come up with project lists and estimated costs.

67 Additionally, there were a number of cases where projects were approved but by the end of financial year, the projects had not commenced. This cast doubt on project planning and scheduling.

2.4 Outstanding and Multiple Imprests

68 Outstanding imprest occurs when money advanced to county officials is not accounted for or surrendered as required by provisions of Section 152 of the Public Finance Management Act of 2012 on issuance and surrender of imprest and also paragraph 25 of the PFM (county governments) regulations, 2015 requires that every officer holding imprest to account for or surrender the imprest within 7 days upon return to the duty station.

69 Some of the irregularities in the management of imprests include recording the imprest on payment schedules instead of issuing the holders with imprest warrants for proper accountability.

70 Further, the committee observed that county Executives officers are issued with additional imprest while holding the previous ones. Additionally, it was noted that the imprest registers did not show dates when the imprest was issued, when it was due for surrender, the designations and personal numbers of the imprest holders.

71 In FY 2023/24, the committee observed that the County Executives had outstanding imprests amounting to **Ksh. 318,998,221** arising from thirteen (13) counties with Kilifi County executive registering the highest number of outstanding imprests at Ksh. 90,140,166. Other counties with outstanding imprests are as shown in Table 5

.

Table 2.4: County Executives that registered Outstanding/multiple imprests

S/No	Counties	Outstanding Imprest in Ksh.
1	Kilifi	90,140,166
2	Turkana	85,093,020
3	Samburu	39,270,626
4	Mombasa	25,797,432
5	Kakamega	18,325,045
6	Vihiga	16,638,638
7	Embu	12,774,887
8	Tana river	10,066,200
9	Nandi	6,294,745
10	Siaya	5,307,721
11	Kisii	5,151,666
12	Murang'a	2,794,575
13	Busia	1,343,500
TOTAL		**318,998,221**

Source: Auditor General Report, PBO extract

72 The Committee observed that Kilifi County Executive had unsupported long outstanding imprests and advances balance of **Ksh.90,140,166.** However, no explanation was given for the failure to surrender the imprest or recover from the beneficiaries by the management. Further, the imprest register was not provided for review. In the circumstances, the accuracy, completeness and recoverability of the outstanding imprests and advances balance of Ksh.90,140,166 could not be confirmed

73 Additionally, the committee observed that Turkana County Executive had an outstanding imprest balance of **Ksh.85,093,020** which was due for surrender on or before 30 June, 2024 and had not been surrendered by then and therefore, the management was in breach of law.

74 The committee observed that the long outstanding surrendered imprests posed a high risk of loss of funds due to unaccounted for imprest to the County Executives.

2.5 Nugatory Expenditure

75 Nugatory expenditure represents financial losses that could have been avoided with better planning. This expenditure majorly comprises of payment of penalties and interest on late payments which could be from delays in paying statutory deductions, suppliers, or loan repayments or late payment of court awards by county governments.

76 In the FY 2023/24, counties incurred a total of Ksh. 4.7 billion in nugatory expenditure. An analysis of these expenditures during the review period revealed that the majority stemmed from the following;

i. Interest and penalties due to non-settlement of court awards within the stipulated time; and
ii. Interest on outstanding pension contributions

77 Notably, in the FY 2023/24, a total of fifteen (15) county executives incurred these avoidable costs with Narok (Ksh. 1.79 billion), Kisii (Ksh. 1.71 billion) and Kiambu (Ksh.414.88 million) being among the counties that incurred the highest on penalties and interests as summarized in Table 6.

Table 2.5: Nugatory Expenditure By County Executives in the FY 2023/24

S/No	Counties	Nugatory expenditure in Ksh.
1	Narok	1,790,323,295
2	Kisii	1,709,797,627
3	Kiambu	414,879,815
4	Nyamira	199,369,538
5	Nairobi City	190,792,573
6	Tana river	175,774,713
7	Mombasa	69,818,155
8	Nyandarua	64,392,576
9	Bomet	28,183,617
10	Elgeyo Marakwet	23,175,940
11	Garissa	19,496,178

Table 2.5: Nugatory Expenditure By County Executives in the FY 2023/24		
S/No	**Counties**	**Nugatory expenditure in Ksh.**
12	Homa Bay	6,650,000
13	Embu	4,460,971
14	Siaya	3,600,000
15	Trans Nzoia	943,241
Totals		**4,701,658,239**

Source: Auditor General Report, PBO extract, 2025

78 During the FY 2023/24, The Committee noted that Narok county executive paid Ksh. 1.73 billion being accrued interest on unremitted retirement pension contributions owed to three pension funds – County Pension Fund, LAPTRUST and LAPFUND. Further, during the FY the county executive paid Ksh. 62.29 million being partly payment of the Ksh. 752.2 million accumulated interest on arbitration for cases involving three clients which dates back to FY 2013/14.

79 Additionally, the Committee observed that Kisii county executive had an accrued interest of Ksh. 1.58 billion on retirement contributions owed to owes Local Authorities Provident Fund (LAPFUND) and Ksh. 128.1 million accrued interest on the amount owed to CPF Financial Services, totaling Ksh. 1.7 billion in accrued interest on pension contributions.

80 The committee observed that the substantial expenditure on penalties and interest, which could have been avoided through timely payments, reflects a failure in prudent financial management. This contravenes the principles set out in Article 201(d) of the Constitution, which requires responsible and prudent use of public resources.

2.6 Unbudgeted expenditures/Over-expenditure

81 These are expenditures spent on goods and services without being allocated under the respective county budget/appropriation Act in a given financial year or not approved under supplementary budgets.

82 During the FY 2023/24, the Committee observed that County Executives in six counties listed in Table 7 i.e. Nairobi City, Narok, Embu, Elgeyo Marakwet, Bomet and Laikipia incurred a total of Ksh. 13.9 billion over and above their approved budgets.

Table 2.6: Counties that registered unbudgeted expenditure during FY 2023/24		
S/No	**Counties**	**Unbudgeted expenditure in Ksh.**
1	Nairobi City	12,373,472,846
2	Narok	639,546,237
3	Embu	448,829,291
4	Elgeyo Marakwet	390,259,731
5	Bomet	55,725,410
6	Laikipia	17,317,623
Totals		**13,925,151,138**

Source: Auditor General Report, PBO extract

83 The committee noted that in the FY 2023/24, Nairobi City county executive overcommitted/overspent Ksh.12.37 billion above the approved budget which was the highest unbudgeted expenditure among the county executives. Notable example in Nairobi is the Establishment of an Intensive Care Unit and Neonatal Intensive Care Unit at Mbagathi Hospital and Pumwani Maternity Hospital where the contract was awarded for Ksh. 47.9 million against a budgeted amount of Ksh. 36 million resulting in over-expenditure of Ksh. 11.9 million.

84 The Committee also noted with concerns transfers of Ksh.789.2 million to Embu Level 5 Hospital which was above the Ksh. 340.32 million appropriated for the Hospital by the County Assembly in the final supplementary budget as reflected by the County Supplementary Appropriation Act, 2024 resulting to an unbudgeted transfer of Ksh.448.8 million.

85 Further, the committee observed that Narok county paid Ksh.364.99 million in respect of legal fees which exceeded the budgeted amount of Ksh.337.38 million resulting to an unauthorized and unapproved expenditure of Ksh.27.6 million. Additionally, the county executive awarded a contract to a local company for supply and delivery of earth moving equipment and machinery for road construction at a cost of Ksh.1.49 billion which exceeded the approved budget of Ksh.876 million resulting to an unauthorized expenditure of Ksh.611.9 million.

86 The committee noted that over commitment of budgets by the county executives above the approved budgets is contrary to Section 44 (2) of Public Procurement and Asset Disposal Act, 2015 which requires Accounting Officers to ensure that procurement of goods, works and services of a public entity are within the approved budget of that entity and Section 53(8) of the same Act, which requires Accounting Officers not to commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates.

2.7 Un-accounted for expenditures

87 This entails money which have been spent but cannot be accounted for or where goods were delivered but not recorded upon receipt.

88 During the FY 2023/24, the Committee observed that County Executives incurred a total of Ksh. 157.3 million which was not accounted for. Analysis of the unaccounted expenditures indicated that most of the expenditures arose from; unexplained reasons for payments and beneficiary of payment and non-existence of items paid for and supplied.

Table 2.7: Counties with unaccounted expenditure during FY 2023/24

S/No	Counties	Unaccounted Expenditure in Ksh.
1	Tharaka Nithi	76,734,652
2	Tana river	37,519,432
3	Wajir	18,976,140
4	Isiolo	17,448,400
5	Siaya	3,360,000
6	Nandi	3,300,000

Table 2.7: Counties with unaccounted expenditure during FY 2023/24		
S/No	Counties	Unaccounted Expenditure in Ksh.
Totals		157,338,624

Source: Auditor General Report, PBO extract, 2025

89 The Committee observed that Tharaka Nithi County executive had the highest uncounted for expenditure at Ksh. 76.7 million. This amount relates to un-accounted for contractor's retention money. Specifically, retentions from contractors' balance was Ksh.77.5 million as reflected in the financial statements, however, the Tharaka-Nithi County Deposit Bank Account had a balance of Ksh. 806,975 resulting to an unexplained variance of Ksh.76.7 million.

90 The Committee also observed that Tana River county executive paid Ksh.29.5 million to service providers for fuel, oil and lubricants which was not supported by motor vehicle work tickets, list of authorized vehicles, bulk fuel register, detailed orders and supplier's statements. Additionally, the county executive of Tana River incurred Ksh.8 million on the purchase of Hilux Pick Up Double Cab. and although, the supplier had been paid the full amount, the motor vehicle had not been delivered at the time of the audit.

91 Further, the committee noted that Isiolo county paid Ksh. 17.4 million for a hospital equipment for the construction of Accident and Emergency Centre at Isiolo County Referral Hospital which was not delivered as factored in the Bills of Quantities, despite the contractor having been paid 91% of total amount.

92 Moreover, the committee observed that Wajir County executive incurred an expenditure of Ksh. 40.2 million on supply and delivery of ICT equipment including laptops and printers. However, delivery notes worth Ksh.18.98 million did not include serial numbers for the equipment acquired hence, it was not possible to confirm existence of the items supplied.

2.8 Unremitted Statutory Deductions

93 County governments have not remitted statutory deductions owned to various bodies such pension funds, KRA, NHIF, NSSF and SACCOs. Failure to submit such deductions on time will lead such liabilities to accrue interests and penalties which form part of avoidable additional costs to county governments budget.

94 The Committee observed that county governments breach section 19(4) of the Employment Act, 2007 which provides that, an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

95 The Committee noted with concern that Nairobi City County had unremitted payroll reductions amounting to Ksh. 3,098 million recovered from staff salaries inform of PAYE, NSSF, housing levy, NHIF and HELB without evidence that the amount deducted were remitted to the relevant authorities.

96 The committee observed that Trans Nzioa County failed to remit Ksh.923.6 million in form of PAYE, NSSF, NHIF during the year under review without supporting evidence that amount was remitted to the relevant authorities despite the county deducting the same from employees' salaries.

97 The committee further noted that Bungoma County Government owes LAPFUND Ksh. 566.8 million pension deduction comprising of principal and accrued interest.

2.9 Incomplete Assets Register and Lack of Ownership Documents.

98 Incomplete asset registers arise when the non-current assets registers, policies and procedures relating to asset management guidelines on non-current assets acquisition, use, control, protection, maintenance and disposal of assets are not provided for audit. In addition, where assets not tagged for ease of identification and tracking of movement.

99 The committee observed that most county executives did not have updated asset registers therefore contravening Section 149(2) of the Public Finance Management Act,2012 which requires that the accounting officer to be responsible for managing assets and liabilities of county government entity (a) is responsible for the management of the entity's assets and liabilities; and(b)shall manage those assets in such a way as to ensure that the county government entity achieves value for money in acquiring, using or disposing of those assets. In addition, the Failure to Update Non-Current Asset Register is contrary to regulation 136 of the Public Finance Management (County Governments) Regulations, 2015

100 The committee observed that the Kwale County Executive Lacked the Ownership Documents for Construction of Early Childhood Development Education (ECDE) Centers. The financial statements reflected acquisition of assets of an amount of Ksh.34,096,300 incurred on construction of ECDE centers. Review of records provided for audit revealed that the Department of Education entered into contracts with various contractors for construction of ECDE classrooms in various locations within the County at a cost Ksh.132,823,548. However, Management did not provide ownership documents for land on which the centers are being constructed including title deeds, leases or memorandum of understanding for use on the parcels of land. Therefore, the ownership, of the ECDE centers could not be confirmed.

101 Additionally, the committee observed that in the case of Tana River County Executive, the asset register provided for audit was incomplete as it did not include assets procured during the year including HDU equipment amount of Ksh.84,913,536, Dehuller machines totaling Ksh.23,566,551 and Motor vehicles amount of Ksh.79,463,930 in breach of Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to maintain a register of assets under his or her control or possession that is accurate and complete.

102 The committee observed that lack of effective internal control on assets management exposes County Executive assets to the risk of **misuse** and **theft.**

2.10 Pending Bills

103 Pending bills are the unsettled financial obligations by the government (national or county) at the end of a financial year, resulting from unpaid goods and services procured and delivered. The County Executives should budget the previous year's pending bills as a first charge in the budget for the next Financial Year as per

Regulation 55 (2) b of the Public Finance Management (County Governments) Regulations, 2015.

104 The committee observed that the County Executives reported outstanding pending bills of Ksh.179.87 billion as at 30th June,2024 which was an increase from Ksh 163.1 billion as at 30th June,2023 as reported by the Controller of Budget (COB). A further analysis of the pending bills shows that a total of twenty-four (24) counties reported pending bills above Ksh.1 billion where Nairobi City County Executive reported the highest outstanding pending bills **of** Ksh.118.44 billion, which represents 65.1 percent of the entire stock of pending bills comprising of Ksh.112.56 billion and Ksh. 5.75 billion in development and recurrent expenditure respectively.

105 The committee further observed that other County Executives with high outstanding pending bills were Kiambu at Ksh.6.39 billion, Mombasa at Ksh.4.44 billion, Machakos at Ksh.4.12 billion, Bungoma at Ksh.3.51 billion, and Kisumu at Ksh.3.15 billion as shown in Table 9.

Table 2.8: List of County Executives with Pending Bills above Ksh. 1billion as at 31st June

S/NO	County Executive	Recurrent	Development	Sub Total
1	Nairobi	112,563,910,799	5,751,842,791	**118,315,753,**
2	Kiambu	4,069,015,330	2,318,872,476	**6,387,887,8**
3	Mombasa	2,738,362,340	1,702,209,902	**4,440,572,2**
4	Machakos	1,730,056,963	2,388,349,707	**4,118,406,6**
5	Bungoma	1,978,302,057	1,528,214,428	**3,506,516,4**
6	Kisumu	1,661,420,756	1,340,669,158	**3,002,089,9**
7	Kajiado	890,814,132	1,455,782,205	**2,346,596,3**
8	Wajir	1,322,376,590	1,007,941,081	**2,330,317,6**
9	Kisii	485,084,888	1,828,433,549	**2,313,518,4**
10	Mandera	-	2,226,355,164	**2,226,355,1**
11	Kwale	1,117,867,909	1,015,720,218	**2,133,588,1**
12	Tana River	1,170,296,619	951,046,432	**2,121,343,0**
13	Embu	923,910,054	888,655,736	**1,812,565,7**
14	Kakamega	543,846,663	1,109,793,717	**1,653,640,3**
15	Laikipia	883,462,160	760,607,838	**1,644,069,9**
16	Taita-Taveta	921,955,832	708,347,293	**1,630,303,1**
17	Vihiga	577,909,066	888,370,981	**1,466,280,0**
18	Busia	1,310,232,841	110,359,586	**1,420,592,4**
19	Murang'a	1,183,396,100	205,092,392	**1,388,488,4**
20	Trans Nzoia	483,133,403	799,226,738	**1,282,360,1**
21	Kilifi	620,073,974	586,137,042	**1,206,211,0**
22	Kericho	181,301,858	953,411,837	**1,134,713,6**
23	Isiolo	671,996,503	437,765,312	**1,109,761,8**
24	Nakuru	966,040,527	55,227,446	**1,021,267,9**

Source: Auditor General Report, PBO extract, 2025

106 Additionally, the committee observed that the Auditor General reported that some County Executives had unsupported, unreconciled and unexplained variance in

Pending Payables creating doubts in the accuracy and completeness of accounts payables balances they reported. The committee noted that the Mombasa County Executive reported account payables all totaling Ksh.4,440,572,242. However, the pending bills were not supported with signed contracts and invoices to confirm authenticity of the bills. In addition, pending accounts payables under other important disclosures of Ksh.4,440,572,242 differed with pending accounts payables at annex 2 to the financial statements of Ksh.4,449,518,290, resulting to an unexplained variance of Ksh.8,946,048.

107 Further, according to the Auditor General Nairobi City County Executive reported an opening pending bills balance of Ksh.98,267,457,303 and total paid pending bill within the year of Ksh.2,546,724,587. Further, analysis of revenue against the total pending bills of Ksh.118,794,238,631 is more than the total County revenue of Ksh.31,006,479,217. This indicates that to clear the pending bills, the County Executive might have to halt the provision of services for over three (3) consecutive years, as the debt is 383% of the County's total revenue.

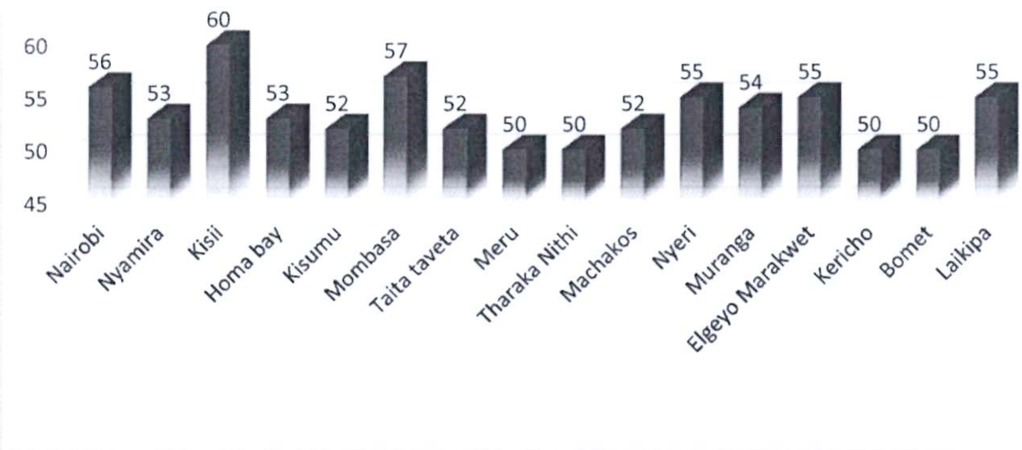
108 The committee further observed that pending bills expose the County Executive to litigations which often results into payment of unnecessary legal fees and court awards (including accrued interest) which imposes further financial strain to their budgets.

2.11 Non-Compliance with the Fiscal Responsibility Principles on Wage Bill

109 Public Finance Management (County Governments) Regulations, 2015 stipulates that county government's wages and benefits should not exceed 35% of its total revenue. **The committee observed that only eleven (11) counties complied with the 35% legal requirement on wages and benefits stipulated in the PFM Act,2012.**

110 The Committee further observed that that sixteen (16) county governments spent more than 50% of their revenue on wages and benefits leaving O/M, other recurrent and developments expenditure to compete for a fiscal space on the remaining budget.

Figure 1: Percentage of Wage bill to total revenue



Source: Auditor General report, PBO Extract 2025

2.12 Uncollected revenue

111 Uncollected revenue occurs when revenue due to county government remain outstanding outside the stipulated time without adequate recovery measures put in place.

112 The committee noted that several categories of revenue due to various county governments remain outstanding for long period of time denying counties the required revenue to undertake programs and projected needed by the residents of those counties for better service delivery.

113 The Committee observed that some of the categories of revenue that usually remain outstanding as reported by the OAG includes; property rates and rent, land rate and royalties.

114 The Committee noted that Kisii county government fail to collect an outstanding property rates owed by plot owners within Kisii Municipality and other areas in the County totaling to Ksh. 546.1 million.

115 The Committee further noted that Kitui county had an outstanding revenue from property rates amounting Ksh.1.098 billion which was still outstanding while Kajiado County Governments had an outstanding property rate, rent rates and royalties arrears which remain outstanding totaling to Ksh. 11.98 billion without any measures put in place to collect the outstanding revenues.

116 The Committee noted with concern that county governments with outstanding rates did not institute effective internal controls to ensure collection of outstanding rates, measures including legal action against the defaulters to collect the outstanding amounts as required affecting implementation of services to the public.

117 The Committee recommends county governments to legislate on regulations to operationalize enforcement measures on rate collection within the county for full recoverability of the outstanding rates.

2.13 Lack of updated Valuation Roll

118 The Valuation for Rating Act Chapter 266 which provides that every local authority shall from time to time, but at least once in every ten (10) years or such longer period as the Minister may approve, cause a valuation to be made of every ratable property within the area of the local authority in respect of which a rate on the value of land is, or is to be imposed, and the values to be entered in a valuation roll.

119 The committee observed that some county governments use an outdated valuation roll that was used by the defunct local authorities for the collection of property rates.

120 The committee further observed that valuation rolls used by most county governments are based on historical property values which are lower and do not represent the current market values which are higher resulting to loss of revenue.

121 The committee observed that West Pokot and Kisii counties lack an updated valuation roll and instead use an outdated valuation roll for collection of their property and land rates while Nyamira County Government lack an updated valuation roll.

2.14 Lack of Internal Audit Committee

122 The PFM Act, 2012 provides for the establishment of an internal audit committee to assess the overall risks the entity is facing, reviewing the adequacy of internal controls that management has put in place regarding financial management controls, accounting systems, reporting and reviewing the entity's compliance with all relevant legislation and statutory requirements and conducting a follow up on the implementation of the recommendations of internal and external auditors.

123 The Committee has noted that eight (8) county governments namely; Garissa, Machakos, Nakuru, Kajiado, Kisii, Narok, Nyandarua and Homabay are yet to establish an audit committee as required under section 155 of the PFM Act,2012

124 The Committee has further noted that some county governments have complied with the law on the establishment of the audit committee but the committee remains non-functional.

2.15 Lack of Risk Management Policy

125 The Public Finance Management (County Governments) Regulations, 2015 provides that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism a system of risk management and internal controls that builds robust business operations.

126 The Committee has noted Twelve (12) county governments namely, Tana River, Kajiado, Narok, Bungoma, Samburu, Marsabit, Nyandarua, Trans Nzoia , Mandera ,Uasin Gishu, Siaya and Kisumu lacks an approved risk policy framework to assess, identify their severity , measure, prioritize and mitigate risks in the entities.

2.16 Delayed Completion of County Headquarters

127 The National Government provided an additional allocation in form of conditional grants to five (5) county governments namely; Isiolo, Lamu, Tana River, Nyandarua and Tharaka Nithi to supplement the constructions of county headquarters.

128 The committed noted that the MOU entered between the beneficiary county governments and the State Department of Public Works state that the county was to fund 30% of the cost while the national government was to fund the balance of 70%.

129 The committee observed that some of the projects are either incomplete or stalled. the committee further observed that Isiolo County headquarter has stalled and the conditional allocations from the national government amounting to Ksh.60.0 million to supplement the constructions during the FY 2023/24 was not funded by the National Treasury.

130 The committee noted that Tana River county Headquarter is incomplete despite the project commencement of June ,2019 with completion timeline of 75 weeks due to national government failure to honor the financial contribution amounting to of Ksh. 229.3 million.

2.17 Human Resource Management.

131 The Committee noted that the Auditor general has been raising issues regarding irregularities in the human resource management by the County Executives since the onset of devolution. Some of the recurring Human resources management irregularities include;

a) **Irregular Staff Recruitment-** the committee observed that county executives continue to recruit employees without the required qualification in complete breach of the County Public Service Board Circular therefore, the regularity of such recruitment could not be ascertained by the Auditor General. The committee further observed that county executives continue to hire staff contrary to the directives issued by the CPSB and that they admit new staffs into the county payroll without complying with the Human Resource Policies and Procedures Manual for the Public Service May, 2016.

b) **Non-Compliance with the Law on Staff Ethnic Composition**- the County Government Act, 2012 requires that during hiring CPSB should ensure that at least thirty percent of the vacant positions are filled by candidates who are not from the dominant ethnic community in the County. The committee noted that County executives have breached the requirements of the law to ensure inclusivity, diversity in county public service recruitments.

c) **Lack of Employees Appraisal System**- the committee observed that most county executives have failed to put in place a periodic target as basis for evaluation at the end of every year and the applicable measures to be taken for under-performance operational staff appraisal system. The committee noted with concern that without staff performance managements mechanisms in place, there exists lack of the criteria to monitor performance and appropriately reward the staff.

d) **Irregular Engagement of Casual Employees-**: the committee observed that the County Governments paid casual wages during the period under review without provision for employment of casuals being made in their budgets. The basis of the rates of payments used was not known since different rates were applied to a similar category of casual workers. Further, there was no documentary evidence to support the involvement of respective County Public Service Boards in the identification and engagement of the casuals as required by the County Government Act 2012. There were no budgetary provisions and therefore, the propriety of such payments could not be ascertained.

e) **Non-Compliance with the One Third Basic Salary Rule-** the committee observed that most county employees were earning salaries which were less than one third of their respective basic salaries contrary to the requirement of Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that public officers shall not over commit their salaries beyond two-thirds (2/3) of basic salary.

f) **Payment of Salaries outside the IFMIS and IPPD**-The committee observed that county governments maintained two (2) sets of payrolls namely, the Integrated Personal and Payroll Database (IPPD) and a Manual payroll. The committee further observed that the National Treasury Circular No.13/2019 dated 28 August, 2019 requires that allocation of personnel emoluments must be supported by Integrated Personnel Payroll Date (IPPD). The committee noted that the use of manual system requires manual calculation of deductions, net pay and constant monthly and/or annual updates of the data, which is prone to error or manipulations and susceptible to payroll fraud.

g) **Failure to Remit Payroll Deductions-** the committee noted with concern that various statutory payroll deductions had not been remitted to various statutory bodies including various retirement schemes including Local Authorities Provident Fund (LAPFUND), Local Authorities Pension Trust (LAPTRUST), loan repayment to different SACCOs, insurances policy deductions, and the County Pension Fund. The committee observed that non-remittances of employees' deductions on time leads to nugatory expenditure on the part of the county executive in form of penalties and interest.

h) **Irregular Retention of Staff Past Retirement Age-** the committee observed that some county executives engaged employees above the mandatory retirement age of sixty (60) years contrary to the Employment Act,2007.

i) **Lack of Approved Staff Establishment-**the committee observed that most county executives are still grappling with lack of an approved staff establishment to guide their staff recruitments and promotions. Consequently, lack of an approved staff establishment creates a situation where county executives operate without an optimal number of staff.

j) **Irregular Extension of Probationary Period**- the committee noted that county employees from several executives had been on probation for more than six (6) months without confirmation contrary to Section 42(2) of the Employment Act, 2007 which states that a probationary period shall not be more than six months but may be extended for a further period of not more than six months with the agreement of the employee.

k) **Payment of Salaries Using Same Bank Account**-the committee observed that some county employees' salaries were paid to the same bank account despite them having different personal numbers, Identification card numbers and names. This is contrary to section E.2 (2) of County Public Service Human Resource manual, 2013 which provides that all officers will be paid salary in Kenyan Currency through their bank accounts.

2.18 Under-Expenditure

132 This occurs when allocated/appropriated funds for a specific purpose remain unutilized, thereby depriving the public of the intended services or goods. The committee observed that most county executives reported under-absorption of the approved budget in both recurrent and development expenditures.

133 The Committee also noted that under absorption mostly affects development expenditure where fund utilization incurred under the development votes were extremely below the budget allocated for development which in turns leads to few development projects undertaken during the period under review.

134 The Committee noted that County governments have attributed this to a delay in exchequer releases by the National Treasury as well as shortfall in local revenue collection to supplement the national transfers compounded with in-year revision of the county government's budget through supplementary to revise down budget in the development vote.

135 The Committee observed that the under-expenditure reported during the period under review affected the planned activities and programmes and thereby negatively impacting on service delivery to the public.

CHAPTER THREE: COUNTY FIDUCIARY RISKS EXPOSURE (FRE) FOR COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023/2024

3.1 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF MOMBASA

136 Analysis of the audit report for the County Executive of Mombasa for the FY 2023/2024 shows a cumulative total of **Ksh. 7,642,557,573** as the total financial exposure from fiduciary risks as shown in Table 3.1

Table 3.1: Cumulative Fiduciary Risk for the County Executive of Mombasa for the financial year 2023/2024

Fiduciary Risk	Concise Details	Key Observations	Key Recommendations	Total Amount (Ksh.)
Inaccuracies in Financial Statements	Misclassified retention money (Ksh.33,701,444), street lighting (Ksh.13,744,900), consultancy (Ksh.53,025,925).	Errors and incomplete contingent liability details undermine financial reliability.	Ensure accurate classification and detailed disclosures.	**100,472,269**
Unexplained Voided Transactions	Voided invoices worth Ksh.921,081,477, including Ksh.412,966,431, lack documentation.	Lack of transparency risks misuse or concealment of funds.	Maintain records and secure approvals for voided transactions.	**921,081,477**
Unexplained Variances in Cash Equivalents	Cash balance (Ksh.179,092,436) varies with cashbook/bank; long outstanding items (Ksh.92,911,199).	Weak reconciliation processes threaten financial integrity.	Strengthen bank reconciliations and resolve outstanding items.	**179,092,436**
Unsupported Domestic Travel Expenditure	Travel costs (Ksh.17,039,960) lack schedules and reports.	Missing documentation raises risk of irregular spending.	Require detailed travel expenditure documentation.	**17,039,960**
Irregular Human Resource Practices	Over-age employees, 57% wage bill (Ksh.6,287,283,5	Breaches HR and fiscal laws, risking	Comply with HR policies and cap wage bill at 35%.	**6,287,283,596**

Table 3.1: Cumulative Fiduciary Risk for the County Executive of Mombasa for the financial year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Total Amount (Ksh.)**
	96), irregular promotions, overcommitted salaries.	inefficiency and inequity.		
Avoidable Legal Expenses	Legal fees (Ksh.67,525,793) from unpaid court rulings (e.g., Ksh.68,578,169).	Preventable costs indicate fiscal indiscipline.	Settle court obligations promptly to avoid penalties.	**67,525,793**
Delayed/Incomplete Projects	ECD Centre (Ksh.26,264,610) and Surveillance System (Ksh.18,000,000) incomplete, unsupported.	Delays and poor oversight suggest potential wastage.	Enforce project timelines and verify deliverables.	**44,264,610**
Irregular Bank Accounts	Three commercial bank accounts held against regulations.	Non-compliance increases financial mismanagement risk.	Consolidate accounts to Central Bank as per law.	**Not specified**
Outstanding Imprests	Imprests (Ksh.25,797,432) outstanding since August 2023.	Failure to recover imprests risks loss of public funds.	Recover or surcharge outstanding imprests.	**25,797,432**
Weak ICT Controls	No approved ICT policy, disaster recovery plan, or antivirus protection.	System vulnerabilities risk data loss and operational disruptions.	Approve ICT policies and enhance security measures.	**Not specified**
Cumulative Fiduciary Risk Exposure Totals			**Ksh. 7,642,557,573**	

3.2 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF KWALE

137 Analysis of the audit report for the County Executive of Kwale for the FY 2023/2024 shows a cumulative total of Ksh **6,555,394,768** as the total financial exposure from fiduciary risks as shown in Table 3.2

Table 3.2: Cumulative Fiduciary Risk for the County Executive of Kwale for the financial year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Total Amount (Ksh.)**
Inaccurate Expenditure on Assets	Asset acquisition (Ksh.988,846,682) exceeds pending bills (Ksh.268,178,249) by Ksh.720,668,433.	Unexplained variance suggests potential overstatement or misreporting.	Reconcile expenditure with pending bills and ensure accurate reporting.	**988,846,682**
Unsupported Voided Transactions	Voided transactions (Ksh.425,440,277) lack justification and documentation.	Lack of transparency risks misuse or concealment of funds.	Provide justification and documentation for voided transactions.	**425,440,277**
Irregular Charge on Cash Vote	Payments (Ksh.1,315,790,267) charged to cash vote, not budgeted line items.	Bypassing budget controls risks misallocation and overspending.	Process payments through budgeted line items per regulations.	**1,315,790,267**
Non-Compliance with Ethnic Composition	76% of staff (3,018/3,994) and 88% of new hires (102/116) from one ethnic group. Total: Ksh.3,534,133,545.	Breach of diversity law risks social inequity and legal non-compliance.	Ensure 30% of hires are from non-dominant ethnic groups.	**3,534,133,545**
Failure to Recruit Persons with Disabilities	No disabled persons recruited out of 116 hires, below 5% threshold.	Non-compliance with inclusion laws limits equal opportunity.	Meet the 5% disability recruitment threshold.	**Not specified**
Irregular Payment to Council of Governors	Ksh.4,000,000 paid for devolution conference, against legal provisions.	Unauthorized expenditure risks misuse of county funds.	Cease such payments and follow legal funding rules.	**4,000,000**

Table 3.2: Cumulative Fiduciary Risk for the County Executive of Kwale for the financial year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Total Amount (Ksh.)**
Lack of Ownership Documents for ECDE Centers	ECDE centers (Ksh.34,096,300) built without land titles or agreements.	Unclear ownership risks legal disputes or loss of assets.	Secure ownership documents for all public projects.	**34,096,300**
Stalled Projects	Projects like Wholesale Market (Ksh.95,308,265), Eco Resort (Ksh.3,233,328), Fruit Plant (Ksh.27,868,014), Governor's Residence (Ksh.119,789,114), Twin Workshop (Ksh.6,884,722).	Poor management and delays lead to wastage and incomplete service delivery.	Complete stalled projects and enforce contractor accountability.	**253,083,443**
Dormant Bank Accounts	Three dormant accounts with Ksh.4,254, inactive since 2022/2023.	Ineffective cash management risks fund misuse.	Close dormant accounts and enhance cash oversight.	**4,254**
Lack of Approved Staff Establishment	No approved staff structure despite Ksh. 3,534,133,545 spent on employees.	Weak HR controls risk irregular staffing and expenditure.	Develop and approve a staff establishment plan.	**3,534,133,545**
Total Cumulative Fiduciary Risk Exposure			**Ksh. 6,555,394,768**	

3.3 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF KILIFI

138 Analysis of the audit report for the County Executive of Kilifi for the FY 2023/2024 shows a cumulative total of **Ksh. 12,104,461,668** as the total financial exposure from fiduciary risks as shown in Table 3.3.

Table 3.3: Cumulative Fiduciary Risk for the County Executive of Kilifi for the financial year 2023/2024.

Fiduciary Risk	Concise Details	Key Observations	Key Recommendations	Total Amount (Ksh.)
Inaccuracies in Budget vs. Actual Amounts	Variances in transfers (Ksh.372,510,877), grants (Ksh.372,510,877), and assets (Ksh.2,610,004).	Misstatements compromise the reliability of budget execution reports.	Reconcile budget and actual figures accurately.	**747,631,758**
Inaccuracies in CRF Transfers	Variance of Ksh.115,171,911 between CRF receipts (Ksh.13,272,089,760) and reported transfers.	Discrepancies undermine financial statement credibility.	Verify and align CRF transfer records.	**115,171,911**
Inaccuracies in Employee Compensation	Salary variance (Ksh.120,076,771); casual wages (Ksh.243,948,050) unsupported. Total: Ksh.4,158,068,890.	Poor record-keeping risks overpayments or ghost workers.	Maintain accurate payroll and casual staff registers.	**4,158,068,890**
Unsupported Imprests and Advances	Imprests (Ksh.90,140,166) include old balances (Ksh.5,403,303) and receivables (Ksh.84,736,863).	Long-outstanding amounts and lack of disclosure weaken accountability.	Recover imprests, update registers, and disclose court case progress.	**90,140,166**
Inaccuracies in Deposits and Retentions	Deposits (Ksh.184,941,256) with old balances (Ksh.76,110,183) and variance (Ksh.21,324,649).	Weak cash management threatens fund integrity.	Update and reconcile retention records with cash balances.	**184,941,256**
Inaccuracies in Pending Bills	Pending bills (Ksh.6,091,340,081) unsupported; variance of Ksh.891,207,497 with payments.	Lack of documentation risks overstatement or fictitious liabilities.	Support pending bills with invoices and reconcile variances.	**6,091,340,081**
Unsupported Emergency Relief Payments	Relief payments (Ksh.44,639,728) lack weighbridge and delivery records.	Risk of misappropriation or non-delivery of relief items.	Provide delivery and distribution evidence for relief expenditures.	**44,639,728**

Table 3.3: Cumulative Fiduciary Risk for the County Executive of Kilifi for the financial year 2023/2024.				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Total Amount (Ksh.)**
Unsupported Construction Payments	Construction (Ksh.672,527,878) includes unsupported Ksh.33,754,633; physical defects noted.	Irregularities and poor quality raise value-for-money concerns.	Ensure contract reporting and verify project quality before payments.	**672,527,878**
Total Cumulative Fiduciary Risk Exposure				**Ksh 12,104,461,668**

3.4 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF TANA RIVER

139 Analysis of the audit report for the County Executive of Tana River for the FY 2023/2024 shows a cumulative total of **Ksh. 7,579,369,426** as the total financial exposure from fiduciary risks as shown in Table 3.4.

Table 3.4: Cumulative Fiduciary Risk for the County Executive of Tana River for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
Unreconciled Variances	Variances between financial statements and IFMIS ledgers for goods, services, transfers, and asset acquisitions.	Inaccuracies in financial records, leading to potential misstatements and mismanagement of funds.	Implement robust reconciliation processes and ensure accurate recording of financial transactions.	**1,423,291,278**
Unsupported Payments	Payments for domestic travel, foreign travel, hospitality, insurance, fuel, and legal expenses lacked supporting documentation.	Lack of accountability and transparency in expenditure, raising concerns about misuse of public funds.	Strengthen internal controls and ensure all payments are supported by proper documentation.	**170,895,999**
Irregular Procurement	Procurement of non-pharmaceuticals, animal vaccines, and drugs from unregistered suppliers.	Non-compliance with procurement laws, risking the quality and safety of goods procured.	Enforce procurement regulations and ensure suppliers are properly registered and vetted.	**32,102,687**

Table 3.4: Cumulative Fiduciary Risk for the County Executive of Tana River for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
Delayed Projects	Delayed completion of key projects such as the Tana River Aggregation and Industrial Park, County Headquarters, and Deputy Governor's Residence.	Poor project management, leading to cost overruns and failure to deliver public services on time.	Improve project monitoring and ensure timely completion of projects.	**269,854,274**
Unaccounted Assets	Undelivered motor vehicles and unsupported payments for office furniture.	Lack of proper asset management, leading to potential loss or misuse of public assets.	Maintain an updated asset register and ensure all assets are accounted for.	**14,732,432**
Pending Bills	Unsupported pending bills amounting to Ksh. 4,152,618,916, with unexplained variances.	Accumulation of pending bills due to poor financial management, leading to potential legal and financial risks.	Clear pending bills as a first charge on the County Revenue Fund and improve financial planning.	**4,152,618,916**
Unauthorized Expenditure	Unbudgeted payments amounting to Ksh. 57,791,191.	Expenditure without proper authorization, violating public finance regulations.	Ensure all expenditures are budgeted and authorized before payment.	**57,791,191**
Human Resource Irregularities	Non-compliance with laws on recruitment of persons with disabilities, violation of the one-third rule on basic salary, and excessive deductions from employee salaries.	Breach of labor laws and human resource policies, leading to potential legal disputes and employee dissatisfaction.	Adhere to labor laws and human resource policies, and ensure fair recruitment practices.	**38,447,380**

Table 3.4: Cumulative Fiduciary Risk for the County Executive of Tana River for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
Weak Internal Controls	Incomplete asset register, lack of risk management policy, and failure to implement audit recommendations.	Weak internal controls increase the risk of fraud, mismanagement, and inefficiency.	Strengthen internal controls, develop a risk management policy, and implement audit recommendations.	**N/A**
Budgetary Control Issues	Under-funding and under-utilization of budget, affecting service delivery.	Poor budgetary control leading to underperformance in service delivery and development projects.	Improve budgetary planning and ensure full utilization of allocated funds.	**1,378,531,269**
Total Cumulative Fiduciary Risk Exposure			**Ksh. 7,579,369,426**	

3.5 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF LAMU

140 Analysis of the audit report for the County Executive of Lamu for the FY 2023/2024 shows a cumulative total of **Ksh. 14,548,918,017** as the total financial exposure from fiduciary risks as shown in Table 3.5.

Table 3.5: Cumulative Fiduciary Risk for the County Executive of Lamu for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
Inaccuracies in Cash and Cash Equivalents	Cash balance of Ksh. 391,897,910 includes Ksh. 286,853,571 in 8 bank accounts for fuel levy, conditional grants, and special purpose accounts. Accuracy could not be confirmed.	Lack of reconciliation and confirmation of cash balances.	Ensure proper reconciliation of cash balances and separate reporting for special accounts.	**391,897,910**
Long Outstanding Deposits and Retention	Deposits and retentions balance of Ksh. 100,725,007 includes Ksh. 45,024,514 outstanding for 1-	Delayed payments and unexplained variances in retention registers.	Clear outstanding deposits and retentions promptly and reconcile retention registers.	**100,725,007**

Table 3.5: Cumulative Fiduciary Risk for the County Executive of Lamu for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
	3 years, and Ksh. 7,637,597 unpaid gratuity for over 3 years.			
Misclassification of Payments	Ksh. 127,382,478 for other grants and transfers was misclassified. Ksh. 104,108,574 allocated for FLLoCA programs was charged under recurrent sub-vote instead of grants.	Misclassification of expenditures affecting financial reporting accuracy.	Ensure proper classification of expenditures in line with budget allocations.	**127,382,478**
Overstatement of Receipts	Transfers from County Revenue Fund (CRF) overstated by Ksh. 715,569,720, received after 30 June 2024 but accounted for in the year under review.	Overstatement of receipts due to late Exchequer releases.	Ensure accurate recording of receipts and avoid overstating revenues.	**715,569,720**
Inaccuracies in Financial Statements	Variances between financial statements and IFMIS reports, including bank balances (Ksh. 450,260,609), cash balances (Ksh. 7,702,307,729), and outstanding imprests (Ksh. 27,342,539).	Significant discrepancies between financial statements and IFMIS records.	Conduct thorough reconciliation of financial statements with IFMIS and address variances.	**8,180,910,877**
Inaccuracies in Asset Acquisition	Acquisition of assets overstated by Ksh. 663,852,668. Unexplained	Inaccurate asset registers and lack of ownership documents for 20 parcels of land.	Update asset registers, verify ownership documents, and ensure accurate	**663,852,668**

Table 3.5: Cumulative Fiduciary Risk for the County Executive of Lamu for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
	variances in asset registers, including land (Ksh. 36,775,900) and buildings (Ksh. 7,075,602,666).		recording of asset acquisitions.	
Budgetary Control and Performance	Underfunding of Ksh. 481,764,975 (12% of budget) and underperformance of Ksh. 249,005,242 (7% of actual receipts).	Underfunding and underperformance affecting service delivery.	Improve budgetary control and ensure timely implementation of planned activities.	**481,764,975**
Late Exchequer Releases	21% of receipts (Ksh. 716,219,255) received near or after the closure of the financial year, impacting service delivery.	Late Exchequer releases affecting project implementation.	Advocate for timely Exchequer releases from the National Treasury.	**716,219,255**
Failure to Clear Pending Bills	Pending bills of Ksh. 49,122,593, including Ksh. 39,534,564 from the previous year, not cleared as a first charge.	Delayed settlement of pending bills leading to potential interest and penalties.	Prioritize clearance of pending bills to avoid additional costs.	**49,122,593**
Unresolved Prior Year Matters	Several issues from previous audits remain unresolved, including financial misstatements and governance weaknesses.	Lack of action on prior audit recommendations.	Implement prior audit recommendations and establish mechanisms for follow-up.	**N/A**
Project Implementation Status	Out of 186 projects worth Ksh. 1,422,550,007,	Underperformance in project implementation	Improve project planning and monitoring to ensure timely	**1,422,550,007**

Table 3.5: Cumulative Fiduciary Risk for the County Executive of Lamu for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
	only 146 projects worth Ksh. 790,262,423 were implemented.	affecting service delivery.	completion of projects.	
Compensation of Employees	Wage bill at 39% of total revenue, exceeding the 35% fiscal responsibility limit. Salaries paid outside IPPD system, and non-competitive hiring of interns.	Non-compliance with fiscal responsibility principles and irregularities in payroll management.	Adhere to wage bill limits, ensure all salaries are processed through IPPD, and follow competitive hiring processes.	**1,593,862,717**
Procurement Irregularities	Irregularities in procurement of fuel, oil, and lubricants (Ksh. 81,594,900), foodstuffs (Ksh. 15,708,279), and consultancy services (Ksh. 66,718,344).	Lack of fair rotation among suppliers, incomplete documentation, and non-compliance with procurement laws.	Ensure compliance with procurement laws, maintain proper documentation, and rotate suppliers fairly.	**164,021,523**
Irregular Payments	Irregular payments to Council of Governors (Ksh. 2,000,000) and Frontier Counties Development Council (Ksh. 2,000,000).	Payments made without proper legal basis.	Ensure all payments are made in accordance with legal provisions and budgetary allocations.	**4,000,000**
Acquisition of Assets	Delayed road construction (Ksh. 109,668,106), incomplete pipeline extension works (Ksh. 14,793,542), and stalled water project (Ksh. 14,978,117).	Delays and inefficiencies in project implementation.	Monitor project implementation closely and ensure timely completion.	**139,439,765**

Table 3.5: Cumulative Fiduciary Risk for the County Executive of Lamu for the financial year 2023/2024.				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
Internal Audit Understaffing	Internal audit unit understaffed with only 2 officers instead of the required 8.	Ineffective internal controls due to understaffing.	Increase staffing in the internal audit unit to enhance oversight and governance.	**N/A**
Grounded Motor Vehicles	51 motor vehicles, 7 tractors, 13 motor boats, 3 tuk-tuks, and 13 motorcycles grounded.	Inefficient asset management leading to the loss of public resources.	Repair or dispose of grounded vehicles and prepare an annual asset disposal plan.	**N/A**
Total Cumulative Fiduciary Risk Exposure				**Ksh. 14,548,918,017**

3.6 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF TAITA TAVETA

141 Analysis of the audit report for the County Executive of Taita Taveta for the FY 2023/2024 shows a cumulative total of approximately **Ksh. 2,084,257,583** as the total financial exposure from fiduciary risks as shown in Table 3.6.

Table 3.6. Cumulative Fiduciary Risk for the County Executive of Taita Taveta for the financial year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Amount (Ksh.)**
Unsupported Transfers	Unexplained variances in transfers to Tavevo Water and Sanitation Company and Level 4 Hospitals.	Transfers of Ksh.373,103,336 and Ksh.79,696,527 were not reconciled with recipient institutions' records.	Ensure proper documentation and reconciliation of all transfers to other government entities.	**303,892,988**
Unprocessed Payments	40 transactions totaling Ksh.77,553,567 were paid but not captured in the IFMIS Payment Details Report.	Lack of voided payment vouchers, requests to void transactions, and National Treasury approvals.	Strengthen internal controls to ensure all payments are captured and documented in IFMIS.	**77,553,567**
Misclassification of Expenditure	Ksh.1,300,000 spent on fuel, oil, and lubricants was misclassified as	Misclassification distorts financial statements and	Ensure proper classification of expenditures in line	**1,300,000**

Table 3.6. Cumulative Fiduciary Risk for the County Executive of Taita Taveta for the financial year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Amount (Ksh.)**
	acquisition of assets instead of use of goods and services.	affects accurate reporting.	with IPSAS standards.	
Unremitted Statutory Contributions	Unexplained variances in NHIF and NSSF contributions, with Ksh.74,250 and Ksh.10,928,400 unremitted respectively.	Failure to remit statutory deductions and employer contributions as required by law.	Ensure timely remittance of statutory deductions and employer contributions.	**11,002,650**
Unsupported Expenditure	Ksh.1,279,600 spent on purchase of certified seeds, breeding stock, and live animals was unsupported by beneficiary lists or acknowledgment receipts.	Lack of supporting documents for expenditures raises questions about the regularity and validity of the transactions.	Ensure all expenditures are supported by proper documentation, including beneficiary lists and acknowledgment receipts.	**1,279,600**
Irregular Maintenance Payments	Ksh.3,550,014 spent on routine maintenance of vehicles was unsupported by motor vehicle maintenance logs and receipts.	Direct procurement violations and lack of supporting documents for maintenance payments.	Ensure compliance with procurement laws and maintain proper records for all maintenance activities.	**3,550,014**
Unsupported Printing and Advertising	Ksh.1,800,000 spent on Land Use Plan Report and Map Completion was not budgeted for or supported by tender documents.	Expenditure not included in the procurement plan or budget, and lack of tender documents.	Ensure all expenditures are budgeted for and supported by proper procurement documentation.	**1,800,000**
Unsupported Road Construction	Ksh.24,638,939 spent on road construction was unsupported by proper documentation,	Contracts for murraming and gravelling works were not provided, and payments were	Ensure all road construction projects are supported by proper contracts,	**24,638,939**

Table 3.6. Cumulative Fiduciary Risk for the County Executive of Taita Taveta for the financial year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Amount (Ksh.)**
	including contracts and inspection reports.	made without proper documentation.	inspection reports, and documentation.	
Unsupported Fuel and Lubricants	Ksh.7,617,580 spent on fuel and lubricants for routine maintenance of ward roads was unsupported by fuel consumption statements and inspection reports.	Lack of supporting documents for fuel and lubricant purchases raises questions about the validity of the expenditures.	Ensure proper documentation for all fuel and lubricant purchases, including fuel consumption statements and inspection reports.	**7,617,580**
Budgetary Control Issues	Under-funding of Ksh.1,590,259,806 (24% of the budget) and under-expenditure of Ksh.62,362,439.	Under-funding and under-expenditure affected planned activities and service delivery.	Improve budgetary control and ensure timely execution of planned activities.	**1,652,622,245**
Unresolved Prior Year Matters	Several issues raised in previous audit reports remain unresolved, with no evidence provided to support claims of resolution.	Lack of action on prior year audit recommendations indicates weak follow-up mechanisms.	Establish a robust mechanism for follow-up and implementation of audit recommendations.	N/A
Total Cumulative Fiduciary Risk Exposure				**Ksh. 2,084,257,583**

3.7 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF GARISSA

142 Analysis of the audit report for the County Executive of Garissa for the FY 2023/2024 shows a cumulative total of approximately **Ksh. 2,114,435,697** as the total financial exposure from fiduciary risks as shown in Table 3.7.

Table 3.7: Cumulative Fiduciary Risk for the County Executive of Garissa for the Financial Year 2023/2024				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Total Cumulative Fiduciary Risk Amount (Ksh.)**
Unsupported Locum Payments	Ksh. 37,825,560 paid to 114 medical staff without evidence of requisitions, appointment, or approval by the County Public Service Board.	Lack of documentation for roles, terms of engagement, and remuneration.	Ensure proper documentation and approval processes for locum staff payments.	**37,825,560**
Unaccounted Pharmaceuticals	Ksh. 107,932,618 spent on drugs without proper store ledger entries or supporting documents for procurement and delivery.	Drugs distributed to facilities were not recorded in store ledgers, and procurement processes were not documented.	Strengthen inventory management and ensure proper documentation for pharmaceutical supplies.	**107,932,618**
Unsupported Finance Costs	Ksh. 4,229,213 in finance costs without a breakdown or supporting documents.	No details provided for the finance costs incurred.	Provide a detailed breakdown of finance costs and ensure proper documentation.	**4,229,213**
Unsupported KRA Agency Payments	Ksh. 77,548,949 deducted for non-remittance of withholding tax, but no details were provided.	Lack of documentation to support the deductions made to Kenya Revenue Authority (KRA).	Ensure proper documentation and reconciliation of KRA agency payments.	**77,548,949**
Accumulation of Pending Bills	Pending bills increased by	No explanation for the increase	Develop a plan to clear pending bills	**1,815,019,389**

Table 3.7: Cumulative Fiduciary Risk for the County Executive of Garissa for the Financial Year 2023/2024				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Total Cumulative Fiduciary Risk Amount (Ksh.)**
	Ksh. 1,244,848,840 to Ksh. 1,815,019,389, with no plan to settle them.	in pending bills or measures to settle them.	and prioritize their settlement in subsequent budgets.	
Irregular HR Management	Wage bill exceeded 35% of total revenue (49%), irregular payment of special house allowances (Ksh. 4,832,974), and failure to maintain staff establishment.	Non-compliance with fiscal responsibility principles, irregular allowances, and lack of an approved staff establishment.	Adhere to wage bill limits, review staff establishment, and ensure compliance with HR policies.	**4,832,974**
Irregular Operation of Bank Accounts	Ksh. 64,247,994 held in three commercial bank accounts instead of the Central Bank of Kenya.	Operating bank accounts in commercial banks violates Public Finance Management Regulations.	Close unauthorized bank accounts and operate only through the Central Bank of Kenya.	**64,247,994**
Failure to Transfer Functions	County Executive executed functions of established entities like Garissa County Emergency Fund and Garissa Municipality	Lack of explanation for why functions were not transferred to the respective entities.	Transfer functions to the appropriate entities and ensure they operate independently.	**Not quantified**

Table 3.7: Cumulative Fiduciary Risk for the County Executive of Garissa for the Financial Year 2023/2024				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Total Cumulative Fiduciary Risk Amount (Ksh.)**
	without justification.			
Irregular Payments to Frontier Counties Council	Ksh. 3,000,000 paid to Frontier Counties Development Council, which is not a public entity.	Payment to a non-public entity without justification.	Ensure payments are made only to authorized public entities and provide justification for such payments.	**3,000,000**
Failure to Submit Financial Statements	Financial statements for Garissa Rural Water and Sewerage Company were not submitted for audit.	Non-compliance with Public Finance Management Act requirements.	Ensure timely preparation and submission of financial statements for all county entities.	**Not quantified**
Failure to Publish Procurement Contracts	No evidence of procurement contracts being published on notice boards or websites.	Non-compliance with Public Procurement and Asset Disposal Regulations.	Publish all procurement contracts as required by law.	**Not quantified**
Failure to Implement E-Procurement	Goods, works, and services were procured manually instead of through an e-procurement system.	Non-compliance with Public Procurement and Asset Disposal Regulations.	Implement an e-procurement system to enhance transparency and efficiency.	**Not quantified**
Failure to Appoint County Chief Officers	No Chief Officers appointed for departments; directors acted	Lack of substantive leadership in key departments.	Appoint substantive Chief Officers to ensure effective service delivery.	**Not quantified**

Table 3.7: Cumulative Fiduciary Risk for the County Executive of Garissa for the Financial Year 2023/2024				
Fiduciary Risk	**Summary Details**	**Key Observations**	**Key Recommendations**	**Total Cumulative Fiduciary Risk Amount (Ksh.)**
	as Chief Officers.			
Lack of Substantive County Public Service Board Chairman	Chairperson of the County Public Service Board had not been appointed since February 2024.	Lack of leadership in the County Public Service Board.	Appoint a substantive Chairperson for the County Public Service Board.	**Not quantified**
Unconfirmed Existence of County Motor Vehicles	No motor vehicle inventory provided for audit.	Risk of misappropriation and misuse of county vehicles.	Maintain a proper inventory of motor vehicles and ensure their safe custody.	**Not quantified**
Ineffective Internal Audit Unit	No Audit Committee established, and the internal audit unit did not submit any reports during the year.	Lack of oversight and internal control mechanisms.	Establish an Audit Committee and ensure the internal audit unit functions effectively.	**Not quantified**
Total Cumulative Fiduciary Risk Exposure				**Ksh. 2,114,435,697**

3.8 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF WAJIR

143 Analysis of the audit report for the County Executive of Wajir for the FY 2023/2024 shows a cumulative total of **Ksh. 3.357 billion** as the total financial exposure from fiduciary risks as shown in Table 3.8.

Table 3.8: Cumulative Fiduciary Risk for the County Executive of Wajir for the Financial Year 2023/2024				
Fiduciary Risk Category	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
Irregular Expenditure	Unsupported distribution of	- Ksh.97.79M unsupported	- Strengthen procurement and	**126.08M**

Table 3.8: Cumulative Fiduciary Risk for the County Executive of Wajir for the Financial Year 2023/2024				
Fiduciary Risk Category	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
	medical drugs, wasteful generator repair, ICT equipment	medical drugs. - Ksh.9.31M wasteful generator repair. - Ksh.18.98M ICT equipment not confirmed.	distribution processes. - Conduct regular audits of medical supplies. - Ensure proper documentation for all expenditures.	
Irregular Payments to Entities	Payments to Wajir Water, Municipality, and County Assembly	- Ksh.577.34M paid to entities without justification. - Exceeded 7% limit for County Assembly expenditure.	- Ensure compliance with Public Finance Management Regulations. - Avoid making payments on behalf of other entities without legal basis.	**577.34M**
Failure to Achieve Objectives	Incomplete mega pans and low performance target achievement	- Only 4 out of 10 planned mega pans constructed. - Only 27% of planned targets achieved.	- Improve project planning and monitoring. - Align projects with Annual Development Plan. - Ensure accountability in project implementation.	**N/A**
Budgetary Control Issues	Under-funding and under-utilization of funds	- Ksh.977.17M under-funding. - Under-utilization of funds affecting service delivery.	- Improve budget planning and execution. - Ensure timely disbursement of funds. - Monitor expenditure to avoid under-utilization.	**977.17M**
Irregular Staff Compensation	Employees earning less than one-third of basic salary, interim staff, casuals	- 158 employees earning less than one-third of basic salary. - 18 interim staff without proper	- Ensure compliance with Employment Act on one -third basic salary principle - Review payroll to	**N/A**

Table 3.8: Cumulative Fiduciary Risk for the County Executive of Wajir for the Financial Year 2023/2024				
Fiduciary Risk Category	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
		documentation. - 482 casuals engaged beyond legal limits.	prevent over-deductions.	
Non-Compliance with Laws	Fiscal responsibility, PWDs, and wage bill limits	- Wage bill exceeded 35% limit (41% of total revenue). - Only 2% of staff are PWDs, below the 5% requirement.	- Adhere to fiscal responsibility principles. - Ensure compliance with PWDs employment quota. - Reduce wage bill to within legal limits.	**N/A**
Unserviceable Assets	Grounded motor vehicles and lack of disposal plan	- 19 motor vehicles grounded, no disposal plan. - Risk of loss of public resources.	- Develop and implement an annual asset disposal plan. - Repair or dispose of unserviceable assets promptly.	**N/A**
Irregular Lease of Office	Nairobi liaison office lease	- Ksh.2.07M spent on leasing office without competitive bidding or market survey.	- Ensure competitive bidding for leases. - Conduct market surveys to determine fair rental rates.	**2.07M**
Pending Bills	Accumulation of pending bills	- Ksh.999.08M pending accounts payables. - Ksh.675.70M other pending payables. - Bills from 2014/2015 to 2021/2022 not settled.	- Prioritize settlement of pending bills. - Ensure bills are settled in the year they are incurred. - Avoid accumulation of long-outstanding bills.	**1,674.78M**
Lack of Sectoral Planning	No sectoral plans or annual work plans	- Departments did not prepare sectoral plans or	- Develop and implement sectoral plans. - Align annual work	**N/A**

Table 3.8: Cumulative Fiduciary Risk for the County Executive of Wajir for the Financial Year 2023/2024				
Fiduciary Risk Category	**Summary Details**	**Key Observations**	**Key Recommendations**	**Risk Amount (Ksh.)**
		annual work plans.	plans with County Integrated Development Plan (CIDP).	
Failure to Implement E-Procurement	Manual procurement system in use	- E-procurement system not implemented despite Executive Order No.2 of 2018.	- Implement e-procurement system as required. - Ensure all procurement processes are conducted through the IFMIS system.	**N/A**
Lack of Project Status Reports	Incomplete and unused projects	- 6 out of 11 major building projects incomplete. - 3 completed projects not in use.	- Prepare and submit project implementation status reports. - Ensure completed projects are utilized effectively.	**N/A**
Weak Internal Controls	Lack of updated asset register, manual payroll, and inventory management	- Non-current assets not tagged or tracked. - Manual payroll prone to errors. - No inventory management system for drugs and medical supplies.	- Update and maintain asset registers. - Transition to electronic payroll systems. - Implement an inventory management system for drugs and medical supplies.	**N/A**
Total Cumulative Fiduciary Risk Exposure				**Ksh. 3.357 billion**

3.9 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF MANDERA

144 Analysis of the audit report for the County Executive of Mandera for the FY 2023/2024 shows a cumulative total of **Kshs. 3,545,931,198** as the total financial exposure from fiduciary risks as shown in Table 3.9.

Table 3.9: Cumulative Fiduciary Risk for the County Executive of Mandera for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Detail of the Risk**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Kshs.)**
Unsupported Direct Payments to KRA	Payments to KRA were not supported by proper documentation or processed through IFMIS.	Kshs. 39,522,351 paid directly to KRA without supporting details or IFMIS processing.	Ensure all payments are supported by proper documentation and processed through IFMIS.	**39,522,351**
Unsupported Pharmaceutical Payments	Payments for pharmaceuticals lacked supporting documents.	Kshs. 148,365,078 spent on pharmaceuticals without requisitions, inspection reports, or counter receipts.	Ensure all pharmaceutical purchases are supported by proper documentation and follow procurement guidelines.	**148,365,078**
Unsupported Deposits and Retentions	Deposits and retentions lacked supporting documentation.	Kshs. 10,641,645 in deposits and retentions without ageing analysis, contracts, or payment certificates.	Maintain proper documentation for deposits and retentions, including ageing analysis and contracts.	**10,641,645**
Unsupported Consultancy Services	Payments for consultancy services lacked proper documentation.	Kshs. 5,000,000 paid for consultancy services without a report from the contract implementation team.	Ensure all consultancy payments are supported by proper documentation and reports.	**5,000,000**
Unsupported Legal Services	Payments for legal services lacked proper authorization.	Kshs. 45,500,000 spent on legal services without written approval from	Ensure all legal service payments are authorized and supported by proper documentation.	**45,500,000**

Table 3.9: Cumulative Fiduciary Risk for the County Executive of Mandera for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Detail of the Risk**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Kshs.)**
		the County Executive Committee.		
Unutilized Regional Livestock Market	A completed livestock market was not in use, raising questions about value for money.	Kshs. 22,000,000 paid for a completed livestock market that was not in use.	Ensure completed projects are utilized and provide value for money.	**22,000,000**
Anomalies in Construction of Classrooms	ECDE classrooms were not constructed as per the Bill of Quantities.	Kshs. 6,796,822 spent on ECDE classrooms that were not constructed as per the Bill of Quantities and were not branded as County projects.	Ensure construction projects adhere to the Bill of Quantities and are properly branded.	**6,796,822**
Expenditure on National Government Functions	County funds were used for projects that fall under National Government functions.	Kshs. 74,363,509 spent on projects that are the responsibility of the National Government, such as school infrastructure and military facilities.	Ensure County funds are used only for County functions as per the Constitution.	**74,363,509**
Accumulation of Pending Bills	Pending bills were not properly documented or aged.	Kshs. 2,226,355,163 in pending bills, with Kshs. 1,136,973,354 outstanding for over two years.	Clear pending bills promptly and maintain proper documentation and ageing analysis.	**2,226,355,163**

Table 3.9: Cumulative Fiduciary Risk for the County Executive of Mandera for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Detail of the Risk**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Kshs.)**
Failure to Operationalize Emergency Fund	Emergency fund was not operationalized despite being established.	Kshs. 453,352,964 allocated for emergency relief but no funds were set aside in the annual budget.	Operationalize the emergency fund and allocate funds as required by law.	**453,352,964**
Failure to Operationalize Climate Change Fund	Climate change fund was not properly administered.	Kshs. 325,046,431 transferred to the Climate Change Fund but administered by the wrong officer.	Ensure the Climate Change Fund is administered by the designated Fund Administrator.	**325,046,431**
Payment of Salaries Outside IPPD	Manual payroll was used, increasing the risk of errors and manipulation.	Kshs. 188,987,235 paid to 552 employees through a manual payroll, including 446 National Police Reservists.	Ensure all salaries are processed through the Integrated Payroll and Personnel Database (IPPD).	**188,987,235**
Failure to Publish Finance Manual	Finance manual was not published, increasing the risk of non-compliance.	No finance manual was published, contrary to the Public Finance Management Regulations.	Publish the finance manual to ensure compliance with financial regulations.	**N/A**
Failure to Insure County Buildings	County buildings were not insured, exposing the County to potential losses.	Kshs. 380,016 spent on insurance costs, but County buildings were not insured.	Ensure all County buildings are insured to mitigate potential losses.	**N/A**
Weaknesses in Fixed Asset Management	Fixed assets were not properly	Kshs. 42,723,737,078 in fixed assets,	Implement proper asset management policies and	**N/A**

Table 3.9: Cumulative Fiduciary Risk for the County Executive of Mandera for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Detail of the Risk**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Kshs.)**
	managed or recorded.	but no policies or procedures were in place for asset management.	maintain a register of land and buildings.	
Lack of Risk Management Policy	No risk management policy or fraud prevention mechanism was in place.	No risk management policy, fraud prevention mechanism, or disaster recovery plan was in place.	Develop and implement a risk management policy, fraud prevention mechanism, and disaster recovery plan.	**N/A**
Total Cumulative Fiduciary Risk Exposure			**Ksh. 3,545,931,198**	

3.10 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF MARSABIT

145 Analysis of the audit report for the County Executive of Marsabit for the FY 2023/2024 shows a cumulative total of **Ksh. 4,204,105,980** as the total financial exposure from fiduciary risks shown in Table 3.10.

Table 3.10: Cumulative Fiduciary Risk for the County Executive of Marsabit for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
Unsupported Legal Fees	Ksh. 10,300,000 paid as legal fees without evidence of compliance with the Advocates Remuneration Order (2014).	Legal fees were disproportionate to the damages claimed (Ksh. 1,028,000). The County lost the case, resulting in a total expenditure of Ksh. 4,328,000, including legal fees.	Ensure legal fees comply with the Advocates Remuneration Order and are proportionate to the case value.	**4,328,000**
Irregular Motor Vehicle Insurance	Ksh. 16,561,854 paid for motor vehicle insurance, including premiums for	52 motor vehicles were insured despite being grounded/unserviceable. Six vehicles	Conduct regular audits of motor vehicle status and ensure	**16,561,854**

Table 3.10: Cumulative Fiduciary Risk for the County Executive of Marsabit for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
	grounded/unserviceable vehicles and duplicate registration numbers.	had duplicate registration numbers, leading to double insurance premiums.	proper documentation to avoid unnecessary insurance payments.	
Irregular Payment of Allowances	Ksh. 1,162,080 paid as special house allowances to 20 employees hired after 2014, contrary to Salaries and Remuneration Commission (SRC) guidelines.	Payments were made despite SRC Circular Ref. No. SRC/ADM/1/13 Vol. III (126) of 10 December 2014, which prohibited such allowances.	Align employee allowances with SRC guidelines and recover irregular payments.	**1,162,080**
Misclassification of Expenditure	Ksh. 7,937,309 paid for domestic travel and subsistence allowances but charged to operating expenses.	Misclassification of expenditure contrary to Section 154(2) of the Public Finance Management Act, 2012.	Ensure proper classification of expenditures in line with budgetary provisions.	**7,937,309**
Irregular Commitments	Ksh. 159,250,917 in commitments for goods and services made after 31 May 2024 without written approval from Accounting Officers.	Commitments were made after the deadline, contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015.	Ensure all commitments are approved by Accounting Officers before the deadline.	**159,250,917**
Wasteful Expenditure on Travel	Ksh. 3,399,484 spent on foreign travel and subsistence allowances for officers to receive donated ambulances, but only one ambulance was delivered.	Funds were spent on travel without corresponding value for money, as only one ambulance was delivered out of three.	Ensure value for money in foreign travel expenditures and monitor the delivery of donated items.	**3,399,484**

Table 3.10: Cumulative Fiduciary Risk for the County Executive of Marsabit for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
Non-Compliance with Wage Bill	Compensation of employees amounted to Ksh. 3,007,441,497 (44% of total revenue), exceeding the 35% threshold.	The wage bill exceeded the fiscal responsibility principle, contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.	Reduce the wage bill to comply with the 35% threshold and implement staff rationalization measures.	**3,007,441,497**
Irregular Procurement of Cereals	Ksh. 476,748,120 paid to suppliers for cereals and pulses without competitive bidding under framework agreements.	Some suppliers had identical contact details, raising concerns of collusion. No competitive process was followed, contrary to Section 114(3) of the Public Procurement and Asset Disposal Act, 2015.	Ensure competitive bidding processes are followed for all procurements under framework agreements.	**476,748,120**
Stalled/Incomplete Projects	projects including the construction of Level 4 Hospital at Sololo-Makutano (Ksh. 483,369,790) and water tanks distribution (Ksh. 22,500,000), were incomplete or stalled.	Projects were delayed, with no evidence of monitoring and evaluation. The Level 4 Hospital project had cost overruns and delays, with no justification for price increases.	Implement strict project monitoring and evaluation mechanisms to ensure timely completion and value for money.	**505,869,790**
Irregular Payment of Medical Cover	Ksh. 47,203,203 paid for staff medical insurance, exceeding the approved budget of Ksh. 60,000,000 by Ksh. 19,811,929.	Overspending on medical insurance without proper justification, contrary to Section 45(3)(a) of the Public Procurement	Ensure all procurements are within the approved budget and seek necessary approvals for	**19,811,929**

Table 3.10: Cumulative Fiduciary Risk for the County Executive of Marsabit for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
		and Asset Disposal Act, 2015.	any overspending.	
Irregular Funding of National Gov.	Ksh. 1,595,000 spent on chairs and lockers for Goro Rukesa Mixed Secondary School, a National Government function.	Expenditure on National Government functions without proper authorization, contrary to Part 1(16) of the Fourth Schedule of the Constitution of Kenya, 2010.	Ensure all expenditures align with County Government functions as per the Constitution.	**1,595,000**
Unsupported Assets	Non-current assets register not updated, with no evidence of ownership documents for land and other assets.	Lack of proper asset management, leading to potential loss or misuse of public assets.	Maintain an updated and accurate fixed assets register and ensure proper documentation for all assets.	**Not Quantified**
Weak Internal Controls	Lack of updated ICT asset register, risk management policy, and functional audit committee.	Internal controls were weak, with no risk management policy or functional audit committee in place.	Establish a functional audit committee, develop a risk management policy, and ensure proper ICT asset management.	**Not Quantified**
Total Cumulative Fiduciary Risk Exposure			**Ksh. 4,204,105,980**	

3.11 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF ISIOLO

146 Analysis of the audit report for the County Executive of Isiolo for the FY 2023/2024 shows a cumulative total of **Ksh. 23,083,476,427** as the total financial exposure from fiduciary risks as shown in Table 3.11.

Table 3.11: Cumulative Fiduciary Risk for the County Executive of Isiolo for the Financia Year 2023/2024

Fiduciary Risk	Concise Details	Key Observations	Key Recommendations	Fiduciary Risk Amo (Ksh.)
Long Outstanding Pending Accounts Payables	Pending bills of Ksh.1,242,393,771, some misclassified and unsupported by documents.	Lack of prioritization as first charge; unsupported payments of Ksh.250,531,088; misclassification of Ksh.13,118,500.	Prioritize pending bills per PFM Regulations; provide supporting procurement documents.	**1,242,393,7**
Irregular Payment of Overtime Allowances	Ksh.1,426,900 paid without eligibility proof or approvals.	Non-compliance with HR policies; missing documentation (e.g., hours worked, approvals).	Adhere to HR manual; document eligibility and approvals for overtime payments.	**1,426,900**
Non-Compliance with Ethnic Diversity Laws	47% of 1,707 employees from one ethnic group, exceeding 33% limit.	Breach of National Cohesion and Integration Act; wage bill at 46% of revenue (Ksh.2,082,321,741).	Ensure ethnic diversity compliance; reduce wage bill to 35% of revenue per PFM Regulations.	**2,082,321,7**
Excess Advisors and Chief Officers	36 advisors (limit 4) and 31 chief officers (limit 18) appointed.	Violation of SRC guidelines and staff establishment; overstaffing increases wage bill.	Reduce advisors to 4 and chief officers to 18 per SRC and establishment guidelines.	**Not quantif**
Irregular Procurement of Spatial Plan	Ksh.19,694,480 paid; contract awarded to higher bidder (Ksh.98,472,400 vs. Ksh.62,173,448).	Non-compliance with PPADA; lowest bidder disqualified without justification.	Award contracts to lowest evaluated bidder; follow PPADA procedures.	**19,694,480**
Delay in Isiolo Market Construction	Ksh.83,825,151 paid (67% of Ksh.545,211,810); delayed by 72 months.	No justification for delay; payment without M&E reports; poor contract management.	Enforce contract timelines; ensure M&E reports before payments; address delays.	**83,825,151**
Irregular Abattoir Upgrade Procurement	Ksh.200,000,000 transferred; contract anomalies (e.g., same committee members).	Breach of PPADA; irregular notifications; potential overpayment risks.	Segregate procurement committees; comply with PPADA notification rules.	**200,000,00**

Table 3.11: Cumulative Fiduciary Risk for the County Executive of Isiolo for the Financia Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amo (Ksh.)**
Irregular Cleaning Services Contract	Ksh.5,900,000 paid; exceeded RFQ threshold; no service evidence.	Breach of PPADA; lack of daily reports or schedules to confirm services rendered.	Use appropriate procurement methods; document service delivery.	**5,900,000**
Irregular Security Services Contract	Ksh.2,040,000 paid; undated documents, inconsistent signatures.	Non-compliance with PPADA; lack of fair competition evidence.	Ensure dated, signed procurement documents; enforce fair competition.	**2,040,000**
Irregular Imprest Management	Ksh.25,818,600 in impresses; used for cash procurement, unsupported allowances.	Breach of PFM Regulations; no evidence of activities or approvals; ineffective use of funds.	Limit imprests to approved purposes; provide supporting documents (e.g., attendance lists).	**25,818,600**
Stalled Municipal Stadium Project	Ksh.231,622,838 paid (67% of Ksh.345,998,315); stalled for 44 months.	Delayed beyond 20-month contract; no value for money achieved.	Complete or terminate stalled projects; ensure timely execution and monitoring.	**231,622,83**
Stalled County Headquarters Project	Ksh.180,396,810 paid (32% of Ksh.556,905,703); stalled despite rentals of Ksh.33,812,876.	Poor project management; no funding from National Treasury; wasted resources on rent.	Secure funding; complete project to avoid rental costs; improve project oversight. The county should continuously engaged the national for the release of the funds to supplement the construction of county HQ.	**180,396,81**
Poor Emergency Centre Construction	Ksh.32,955,140 paid (91% of Ksh.89,264,215); substandard work, equipment undelivered.	Delayed by 13 months; poor workmanship; Ksh.17,448,400 equipment missing; no EIA.	Ensure quality works; deliver equipment; conduct EIA per legal requirements.	**32,955,140**
Irregular Fire Station Contract	Ksh.4,950,000 pending; contract	Breach of PPADA; incomplete plumbing work (Ksh.300,000).	Adhere to PPADA timelines; complete outstanding works.	**4,950,000**

Table 3.11: Cumulative Fiduciary Risk for the County Executive of Isiolo for the Financia Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amo (Ksh.)**
	signed before 14-day lapse.			
Irregular Land Adjudication Allowances	Ksh.3,000,000 spent; Ksh.2,877,200 unsupported allowances.	No evidence of roles, attendance, or activities; accuracy unconfirmed.	Document roles and attendance for allowances; ensure transparency in payments.	**3,000,000**
Incomplete Project Implementation	49 of 191 projects (Ksh.238,324,621) not started; effectiveness unconfirmed.	Budgeted Ksh.1,727,219,971; only 117 projects completed; poor planning and execution.	Improve project planning and execution; ensure all budgeted projects are implemented.	**238,324,621**
Weak Motor Vehicle Management	Ksh.368,752,524 in vehicles; unregistered, unserviceable, or in private garages.	No disposal plan; 41 vehicle variance; risk of loss/theft; poor asset control.	Update asset register; dispose unserviceable vehicles; secure assets per PPADA Regulations.	**368,752,524**
Inaccurate Assets Register	Ksh.18,360,053,851 in assets; unsupported land, equipment values missing.	No ownership documents for Ksh.14,624,181,715 in land; risk of loss/encroachment.	Maintain accurate, tagged asset register; secure land titles; dispose unserviceable assets.	**18,360,053,**
Total Cumulative Fiduciary Risk Exposure			**Ksh. 23,083,476,**	

3.12 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF MERU

147 Analysis of the audit report for the County Executive of Meru for the FY 2023/2024 shows a cumulative total of **Ksh. 2,580,053,749** as the total financial exposure from fiduciary risks shown Table 3.12.

Table 3.12: Cumulative Fiduciary Risk for the County Executive of Meru for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
Unreconciled Transfers to Meru County	Transfers reported as Ksh.333,859,945, but Meru County	Variance of Ksh.20,825,147 unexplained and	Reconcile transfers with supporting documentation and	**20,825,147**

Table 3.12: Cumulative Fiduciary Risk for the County Executive of Meru for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
Revenue Board	Revenue Board reported Ksh.354,685,092.	unreconciled, affecting accuracy of financial statements.	adjust financial records accordingly.	
Unsupported Assets (Land)	Non-current assets total Ksh.11,784,945,465, including Ksh.42,337,783 for land with no title deeds.	Lack of ownership documents and valuation for land; verification exercise incomplete.	Complete asset verification, obtain title deeds, and update the asset register with accurate valuations.	**42,337,783**
Failure to Reconcile Kenya Power Debt	Pending accounts payable include Ksh.20,529,158 owed to Kenya Power, but records show Ksh.35,775,596.	Unreconciled variance of Ksh.15,246,438, casting doubt on accuracy of payables.	Reconcile debt with Kenya Power records and ensure proper documentation for audit verification.	**15,246,438**
Unsupported Finance Costs	Finance costs of Ksh.41,158,510 include an unexplained journal entry of Ksh.1,700,000.	Lack of clarity on how Ksh.1,700,000 was derived; insufficient supporting evidence.	Provide detailed explanations and supporting documents for all finance cost entries.	**1,700,000**
Leasing of Medical Equipment	Leasing costs of Ksh.124,723,404 deducted at source with no records on treatment in books.	No evidence of conditional grants, payments, or agreements; accuracy unconfirmed.	Maintain proper records of leasing agreements, deductions, and payments for audit verification.	**124,723,404**
Long Outstanding Accounts Payable	Pending accounts payable increased to Ksh.1,329,144,337 from Ksh.1,044,715,617 (27% rise).	Lack of task force report to support payables; distorts financial statements and future budgets.	Appoint a task force to review and settle pending bills, prioritizing older debts per financial regulations.	**284,428,720**
Failure to Provide Project Status	Pending accounts payable of Ksh.1,329,144,337 with no project	Unable to confirm value for money or completion status	Submit detailed project status reports (completion,	**1,329,144,337**

Table 3.12: Cumulative Fiduciary Risk for the County Executive of Meru for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
	status details provided.	of projects linked to payables.	contract price, payments) for all pending bills.	
Irregular Procurement Process - ICT Services	Use of goods and services (Ksh.1,647,803,703) includes ICT costs of Ksh.4,890,500 with anomalies.	Incomplete inspection committee (2 members) and unjustified fiber cabling purchase (Ksh.2,500,500).	Ensure compliance with procurement laws (e.g., full inspection committee) and justify all ICT expenditures.	**4,890,500**
Budgetary Control and Performance	Under-funding of Ksh.1,536,799,806 (14% of budget) due to late exchequer releases.	Late receipts (Ksh.850,090,881 after 25 June 2024) impacted service delivery; not a direct financial loss.	Improve coordination with National Treasury for timely exchequer releases; enhance budget planning.	**0 (Not a direct loss)**
Contingent Liability	Contingent liabilities of Ksh.756,757,420 with incomplete schedules.	Lack of detailed litigation schedules (amounts, status, fees); potential financial risk if realized.	Compile and submit a complete schedule of contingent liabilities for transparency and risk management.	**756,757,420 (Potential)**
Prior Year Unresolved Issues	Previous audit issues remain unresolved as of 30 June 2024.	Persistent failure to address prior findings undermines accountability and governance.	Resolve prior year audit issues with clear action plans and timelines; report progress to the Auditor-General.	**Not quantified**
Total Cumulative Fiduciary Risk Exposure				**Ksh.2,580,053,749**

3.13 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF THARAKA-NITHI

148 Analysis of the audit report for the County Executive of Tharaka-Nithi for the FY 2023/2024 shows a cumulative total of **Ksh. 5,641,128,993** as the total financial exposure from fiduciary risks as shown Table 3.13.

Table 3.13: Cumulative Fiduciary Risk for the County Executive of Tharaka-Nithi for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
Misclassification of Expenditure	Ksh.66,039,293 paid as casual wages for temporary employees was misclassified as basic salaries for permanent employees.	Distortion of financial statements due to misclassification of expenditure.	Ensure proper classification of expenditures in line with IPSAS standards.	66,039,293
Unaccounted Contractors' Retention	Retention money of Ksh.77,541,652 not accounted for in the County Deposit Bank Account, leaving an unexplained variance of Ksh.76,734,652.	Lack of accountability for contractors' retention funds, leading to potential loss of public funds.	Reconcile and account for all retention funds. Ensure proper documentation and tracking of contractors' retentions.	**76,734,652**
Variance in Acquisition of Assets	Assets worth Ksh.719,632,632 acquired during the year were not supported by non-current asset registers.	Inaccurate recording of assets, leading to potential mismanagement or loss of public assets.	Update and maintain an accurate non-current asset register. Conduct regular physical verification of assets.	**719,632,632**
Variance in Pending Bills	Pending bills of Ksh.842,939,684 include unexplained variances, such as Ksh.4,683 due to LAPFUND.	Lack of reconciliation and justification for pending bills, leading to potential misuse of funds.	Settle pending bills promptly and ensure proper reconciliation of all payables.	**842,939,684**
Budgetary Control and Performance	Under-funding of Ksh.1,266,056,799 (21% of the budget) and under-utilization of Ksh.91,582,292 (2% of actual receipts).	Poor budgetary control and performance, affecting service delivery and development projects.	Improve budgetary planning and monitoring to ensure full utilization of allocated funds.	**1,266,056,799**

Table 3.13: Cumulative Fiduciary Risk for the County Executive of Tharaka-Nithi for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
Unresolved Prior Year Audit Issues	Several prior year audit issues remain unresolved, including misclassification of expenditure and unaccounted retention funds.	Recurrence of audit issues indicates a lack of corrective action and accountability.	Implement prior year audit recommendations and establish a follow-up mechanism to address unresolved issues.	-
Non-Compliance with Fiscal Responsibility	Wage bill of Ksh.2,354,655,972 represents 50% of total revenue, exceeding the 35% threshold.	Excessive wage bill, leading to fiscal indiscipline and reduced funds for development projects.	Reduce the wage bill to within the 35% threshold as per PFM regulations.	**2,354,655,972**
Irregular Payments to Council of Governors	Payment of Ksh.5,000,000 to the Council of Governors without justification.	Unlawful payment to an independent entity, contrary to the Intergovernmental Relations Act, 2012.	Ensure all payments are lawful and supported by proper documentation.	**5,000,000**
Voided Transactions	615 voided transactions totaling Ksh.293,323,824 were not supported by proper documentation or approval from the Controller of Budget.	Lack of transparency and accountability in voiding transactions, leading to potential misuse of funds.	Ensure all voided transactions are properly documented and approved by the Controller of Budget.	**293,323,824**
Personal Emoluments Outside Payroll	Ksh.16,746,137 paid to 112 employees outside the Integrated Payroll and Personnel Database (IPPD).	Risk of fraud and manipulation due to payments outside the official payroll system.	Ensure all salaries are paid through the IPPD system to enhance transparency and accountability.	**16,746,137**
Total Cumulative Fiduciary Risk Exposure				**Ksh. 5,641,128,993**

3.14 FIDUCIARY RISKS EXPOSURE FOR THE COUNTY EXECUTIVE OF EMBU

149 Analysis of the audit report for the County Executive of Embu for the FY 2023/2024 shows a cumulative total of **Ksh. 20,176,685,462** as the total financial exposure from fiduciary risks shown in Table 3.14.

Table 3.14: Cumulative Fiduciary Risk for the County Executive of Embu for the Financial Year 2023/2024

Fiduciary Risk	Concise Details	Key Observations	Key Recommendations	Fiduciary Risk Amount (Ksh.)
Unreconciled Pending Payables	Pending accounts payables of Ksh.1,755,700,997, including Ksh.67,910,596 owed to Kenya Power, with an unexplained variance of Ksh.16,936,837.	Failure to reconcile payables with Kenya Power and Local Authorities Provident Fund (LAPFUND). Lack of supporting documentation for pending bills.	Ensure timely reconciliation of payables and provide supporting documentation for all pending bills. Implement a task force to review and settle long-outstanding bills.	**1,755,700,997**
Incomplete Asset Register	Non-current assets balance of Ksh.12,703,331,982, including Ksh.3,814,395,773 for land, but no list of parcels, locations, or title deeds provided.	Lack of ownership documents for land and other assets. Assets not tagged or properly recorded, exposing them to risk of loss or encroachment.	Conduct a comprehensive asset verification exercise. Update the asset register with all necessary details, including ownership documents, and ensure proper tagging of assets.	**12,703,331,982**
Unsupported Leasing of Medical Equipment	Leasing of medical equipment amounting to Ksh.122,723,404, but no records provided for audit on how the	Lack of evidence for deductions at source, conditional grant amounts, and service	Maintain proper records of leased equipment, including service agreements and payment details. Ensure all deductions and	**122,723,404**

Table 3.14: Cumulative Fiduciary Risk for the County Executive of Embu for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
	amount was treated in the books.	provider agreements.	payments are properly documented and reconciled.	
Long Outstanding Accounts Payables	Pending bills balance of Ksh.2,207,376,005, with an increase of Ksh.280,385,506 from the previous year.	Failure to settle bills during the year they relate to, leading to distortions in financial statements and adverse effects on budgetary provisions.	Prioritize the settlement of pending bills as a first charge on the County Revenue Fund. Implement measures to prevent the accumulation of long-outstanding payables.	**2,207,376,005**
Irregular Payments to Council of Governors	Payment of Ksh.3,000,000 to the Council of Governors without supporting documents or legal framework.	Payments made without proper justification or legal basis, contrary to the Intergovernmental Relations Act, 2012.	Ensure all payments to external entities are supported by legal frameworks and proper documentation. Avoid making payments to entities funded by the National Government.	**3,000,000**
Late Approval of County Appropriation Act	County Appropriation Act, 2023, approved and assented to on 16 and 21 August 2023, but debit transactions were made before approval.	Transactions made before the approval of the Appropriation Act, violating Public Finance Management Regulations.	Ensure timely approval of the County Appropriation Act before any transactions are made. Adhere to the legal timelines for budget approval and implementation.	**N/A**

Table 3.14: Cumulative Fiduciary Risk for the County Executive of Embu for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
Unbudgeted Transfers to Embu Level 5 Hospital	Unbudgeted transfer of Ksh.448,829,291 to Embu Level 5 Hospital, exceeding the supplementary budget allocation.	Transfers made without proper budgetary approval, violating Public Finance Management Regulations.	Ensure all transfers are within the approved budget limits. Seek supplementary budget approval for any additional funding requirements.	**448,829,291**
Stalled Governor's Official Residence Project	Construction of Governor's residence stalled at 55% completion, with no evidence of contractor extension or default notice.	Project delays and poor management, leading to potential loss of public funds and deterioration of the building.	Issue a default notice to the contractor and seek legal remedies for project delays. Ensure proper project management and timely completion of all construction projects.	**49,703,439**
Non-Compliance with Fiscal Responsibility on Wage Bill	Compensation of employees amounting to Ksh. 2,434,981,502, representing 41% of total revenue, exceeding the 35% threshold.	Excessive wage bill, violating Public Finance Management Regulations.	Implement measures to reduce the wage bill to within the prescribed limit. Conduct a staff rationalization exercise to optimize staffing levels.	**2,434,981,502**
Non-Adherence to One-Third Basic Salary Rule	1,366 employees had salary deductions exceeding two-thirds of their basic salary, violating the	Excessive salary deductions, leading to financial strain on employees.	Ensure compliance with the Employment Act by limiting salary deductions to two-thirds of	**N/A**

Table 3.14: Cumulative Fiduciary Risk for the County Executive of Embu for the Financial Year 2023/2024				
Fiduciary Risk	**Concise Details**	**Key Observations**	**Key Recommendations**	**Fiduciary Risk Amount (Ksh.)**
	Employment Act, 2007.		basic pay. Monitor payroll deductions to prevent over-commitment of salaries.	
Failure to Remit Payroll Deductions	Overdue outstanding remittances of Ksh.431,803,980, including contributions to LAPFUND, LAPTRUST, and other entities.	Failure to remit payroll deductions, exposing the County to legal risks and employee grievances.	Remit all outstanding payroll deductions to the respective entities promptly. Implement a system to track and ensure timely remittance of deductions.	**431,803,980**
Non-Compliance with the National Cohesion and Integration Act	60% of senior management employees (352 out of 525) were from the dominant ethnic community, violating the National Cohesion and Integration Act, 2008.	Lack of ethnic diversity in senior management positions, contrary to legal requirements.	Ensure compliance with the National Cohesion and Integration Act by promoting ethnic diversity in recruitment and appointments.	**N/A**
Irregular Recruitment Processes	88% of newly recruited employees (799 out of 911) were from the dominant ethnic community, and 614 recruits in the payroll could not be traced in the	Lack of transparency and fairness in recruitment processes, with potential for favoritism and irregularities.	Ensure transparent and fair recruitment processes, with proper documentation and adherence to legal requirements. Conduct an audit	**N/A**