

COUNTY ASSEMBLY OF KISUMURD ASSEMBLY



THE COUNTY ASSEMBLY OF KISUMU	
ASSEMBLY	
DATE: 18/03/26	Time: 9:00 AM Day: WED
TABLED BY: Hon. JAMES IXELE	
CLERK AT THE TABLE PST. DAVID	

THIRD ASSEMBLY – FIFTH SESSION
PUBLIC ACCOUNTS AND INVESTMENTS COMMITTEE

COMMITTEE REPORT

ON

THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF THE KISUMU COUNTY EXECUTIVE FOR THE
YEAR ENDED 30, JUNE 2025.

Presented by;
Hon. Ken Ouko
Chairperson
March, 2026

Directorate of Committee Services
The County Assembly of Kisumu
KISUMU.

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LIST OF ABBREVIATIONS

AG	- Auditor General
FY	- Financial Year
IPSAS	- International Public Sector Accounting Standard
PFM Act	- Public Finance Management Act
PICPAC	- Public Accounts and Investment Committee

1.0 CHAIRPERSON’S FOREWORD

Hon. Speaker,

On behalf of the Public Accounts and Investments Committee (PICPAC), and Pursuant to Kisumu County Assembly Standing Orders 188, I wish to present to this House the report of the Committee on the audited financial statements of Kisumu County Executive for the financial year 2024/2025.

Hon. Speaker,

Article 229(4)(a) of the Constitution of Kenya, 2010 provides that within six months after the end of each financial year, the Auditor-General shall audit and report on the accounts of the national and county governments. Further, Article 229(7) mandates the Auditor-General to submit such reports to Parliament or the relevant County Assembly.

Additionally, Article 229(8) requires that within three months of receiving an audit report, Parliament or the respective County Assembly shall debate, consider the report, and take appropriate action.

Hon. Speaker, in adherence to these constitutional timelines, the Committee is bound to conclude its consideration of the Auditor-General’s reports for the financial year 2024/2025 by 31st March 2026.

The Public Accounts and Investments Committee is the watchdog committee that examines Auditor General’s reports laid before this House to ensure probity, efficiency, and effectiveness in the use of public resources. The Committee is established pursuant to Standing Orders 188 to examine the accounts showing appropriations of sums voted by this House to meet public expenditure and of such other accounts laid before the House as the committee may think fit. This ensures implementation of Article 229(8) of the Constitution of Kenya, 2010 on reports submitted to this House by the Auditor General.

The Committee held five sittings during which it received both written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of Kisumu County Executive for the financial year 2024/2025

Hon. Speaker,

The Committee in its scrutiny of the report of the Auditor General, noted that the Auditor General gave a qualified opinion on the financial statements of Kisumu County Executive for the FY 2024/2025.

Hon. Speaker,

The Committee's examination of the Auditor-General's report for the financial year 2024/2025 revealed significant concerns across the three key areas of audit; the financial statements, lawfulness and effectiveness in the use of public resources, and the effectiveness of internal controls, risk management, and governance.

Under the report on the financial statements, the Committee noted weaknesses in financial reporting, including non-compliance with IPSAS reporting requirements, material inaccuracies and unreconciled variances, unsupported balances in payables and deposits, and weaknesses in budgetary performance characterized by significant under-funding and under-expenditure. Additionally, several prior year audit issues remained unresolved, raising concerns over the credibility, completeness, and reliability of the financial statements.

Under the lawfulness and effectiveness in the use of public resources, the Committee observed non-compliance with legal and regulatory frameworks, particularly in procurement processes, contract management, and project implementation. These included irregular procurement practices, award of contracts to unqualified bidders, poor workmanship in infrastructure projects, and failure to adhere to statutory requirements on inclusivity, including gender balance, ethnic diversity, and representation of persons with disabilities. The Committee further noted weaknesses in asset management, revenue administration, and expenditure controls, which undermined value for money and accountability in the use of public resources.

In the same report on lawfulness and effectiveness in the use of public resources, the Committee noted with great concern serious irregularities in procurement processes, particularly instances where tender evaluation criteria were manipulated to unfairly advantage certain bidders. In one such case, a bidder was irregularly over scored during technical evaluation, enabling the firm to

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wrongfully qualify for financial evaluation and ultimately be awarded a contract, contrary to the prescribed procurement requirements.

Hon. Speaker, such actions not only compromised the integrity, fairness, and transparency of the procurement process but also exposed public resources to potential loss and misuse. These irregularities pointed to weaknesses in oversight by the Tender Evaluation Committees, the Head of Procurement, and the Accounting Officer in ensuring strict compliance with procurement laws and regulations.

Under the effectiveness of internal controls, risk management, and governance, the Committee observed systemic weaknesses, including failure to remit statutory deductions, inadequate human resource planning, and understaffing of key oversight functions such as internal audit. These gaps point to weak control systems and insufficient oversight mechanisms necessary to safeguard public resources and ensure efficient service delivery.

Hon Speaker, the issues raised reflect systemic challenges in financial management, compliance, and governance within the County Executive, and underscore the need for strengthened internal controls, strict adherence to legal frameworks, and enhanced accountability mechanisms to improve service delivery and public trust.

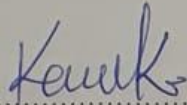
In light of the foregoing findings, the Committee has made a raft of recommendations aimed at strengthening financial management, enhancing compliance with legal and regulatory frameworks, and improving governance and accountability within the County Executive.

On the matter of irregular procurement, the Committee has taken a firm position and recommended that the matter be referred to the Ethics and Anti-Corruption Commission (EACC) for further investigations into possible loss of public funds. In addition, the Committee has recommended that the CECM Finance, Economic Planning and ICT take appropriate administrative action against all officers found culpable, and that accountability measures be enforced to deter recurrence of similar malpractice.

Honorable Speaker, I now wish to register my appreciation to fellow Honorable Members of the Committee, the Offices of the Speaker and the Clerk of the Assembly, Committee Secretariat, the

management of Kisumu County Executive and the Office of the Auditor General for facilitation and technical support that made the production of this report possible.

Hon Speaker, on behalf of the Public Accounts and Investments Committee, I now wish to present the report on the consideration of the Auditor General's report on the Financial Statements of Kisumu County Executive for the FY 2024/2025 and urge this House to adopt it.



.....
Hon. Ken Ouko
Committee Chairperson

1.1 Establishment and Mandate of the Public Accounts and Investments Committee

Hon. Speaker,

The Public Accounts and Investments Committee is established under Standing Order No. 188 of the Kisumu County Assembly Standing Orders and is mandated to undertake the following functions;

- i. Examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the House as the committee may think fit;
- ii. Examination of the working of the Public Investments
- iii. Examine the reports and accounts of the Public Investments and,
- iv. Examine in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

1.2 Composition of the Public Accounts and Investments Committee

The Committee as currently constituted comprises of the following Honorable Members,

Table 1: Committee Membership as at February 2026

NAME	POSITION
MEMBERS	
1. Hon. Ken Ouko	Chairperson
2. Hon. Tom Onditi	Vice Chairperson
3. Hon. Mickey Ochieng	Member
4. Hon. Habil Nyasuna	Member
5. Hon. Nancy Matara	Member
6. Hon. Rueben Rakwach	Member
7. Hon. James Were	Member
8. Hon. James Omollo	Member
9. Hon. Seth Okumu	Member
SECRETARIAT	
1. Austine Ochieng'	Committee Clerk
2. Chrispine Oguta	Clerk Assistant
3. Patrick Okoyo	Hansard Officer
4. Faith Judith	Serjeant-at-arms
5. CPA Naboth Odera	Internal Auditor
6. CPA Mollen Achayo	Accountant
7. CPA Charles Ageng'o	Internal Auditor

2.0 LEGAL FRAMEWORK & GUIDING PRINCIPLES

2.1 Legal Framework

Hon. Speaker,

The Committee was guided by the following legal instruments;

1. **Constitution of Kenya 2010:** Article 229 (4) of the Constitution of Kenya, 2010 requires the Auditor General, within a period of six months after the end of each financial year, to audit and report, in respect of that financial year, on;
 - i. The accounts of the National and County governments,
 - ii. The accounts of all funds and authorities of the National and County governments,
 - iii. Accounts of all courts,
 - iv. The accounts of every commission and independent office established by this constitution,
 - v. The accounts of National Assembly, the Senate and the county assemblies,
 - vi. The accounts of the political parties funded from the public funds,
 - vii. The public debt and
 - viii. The accounts of any other entity that legislation requires the Auditor General to Audit

Article 229(8) further states that “*within three months after receiving an audit report, parliament or county assembly shall debate and consider the report and take appropriate action*”.

1. **Direct Personal Liability:** Article 226(5) of the Constitution is unequivocal that, if the holder of a Public Office or a political office, directs or approves the use of Public Funds contrary to the law or instruction, the person is liable for any loss arising from that use and shall make good, the loss, whether the person remains the office holder or not.
2. **Public Audit Act 2015;** Section 7 mandates the Auditor General to: (i) Give assurance on the effectiveness of internal controls, risk management and overall governance at National and County Government; (ii) Undertake audit activities in state organs and public entities to confirm whether or not public money has been applied lawfully and in an effective way
3. **Section 203(1) of the Public Finance Management Act, 2012** enacts that; a public officer is personally liable for any loss sustained by a County Government and is attributed to; (i) The fraudulent or corrupt conduct, or negligence of the officer or, (ii) The officer’s having done any act prohibited by Sections 196, 197, and 198

4. **Public Finance Management Act, 2012:** Section 149 (1) of the Public Finance Management Act, 2012 which states that “*An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is –*
 - a) *Lawful and authorized; and*
 - b) *Effective, efficient, economical, and transparent”*

2.2 Guiding Principles

Hon. Speaker,

In the execution of its mandate, the Committee was guided by Constitutional and statutory principles on Public Finance Management.

These principles include the following;

Constitutional Principles on Public Finance: Article 201 of the Constitution of Kenya 2010 provides for fundamental principles aimed at guiding all aspects of Public Finance. It states that the principles are; inter alia;

- i). Openness and Accountability including public participation in financial matters;
- ii). Public money shall be used in a prudent and responsible way; and
- iii). Financial management shall be responsible and fiscal reporting shall be clear.

The Committee considered these legal provisions and guiding principles as the basis for holding to account public officers directly and personally liable for any loss of Public Funds that may occur under their watch.

3.0 REPORT OF THE AUDITOR GENERAL ON THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF KISUMU COUNTY EXECUTIVE FOR THE FY 2024/2025

Hon. Speaker,

Mr. George Okong’o the CECM Finance, Economic Planning and ICT appeared before the Committee on 6th March 2026 to adduce evidence on the Audited Financial Statements of the Kisumu County Executive the year ended 30, June 2025.

The following Officers accompanied the Accounting;

1. CPA Martin Okode – Chief Officer, Finance
2. CPA Geoffrey Dienya – Director, Internal Audit

The following officer represented the Office of the Auditor General in the Committee meeting;

Mr. Kennedy Ong’oi – Deputy Director Auditor, Kisumu Regional Office

Qualified Opinion

3.1 Non-Compliance with Transitional IPSAS Reporting Template

The cover page to the annual report and financial statements indicated “Transitional IPSAS financial statements. Further, under Note 2 to Financial Statements on statement of Compliance and Basis of Preparation of the financial statements, Management having taken advantage of the transitional provisions under IPSAS 33 have not indicated the elements of the financial statements that have not been recognized and the steps being taken towards full compliance with IPSAS Accrual.

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

Management response

We accept the omission of listing the elements in the financial statements that have not been recognized under transitional provision IPSAS 33.

The two areas are as listed below;

- i. Inventory will be recognized in year 2 (FY 2025/2026)*
- ii. Asset to be recognized in year 3 (FY 2026/2027)*

This will be addressed in the subsequent years of reporting as per National Treasury Circular No.03/2025 dated 14th April 2025 on guidelines on transition from cash to Accrual accounting.

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. The financial statements did not disclose the specific elements that had not been recognized under the transitional provisions of International Public Sector Accounting Standard 33 (IPSAS 33), as required under the International Public Sector Accounting Standards Accrual Framework;
2. Management acknowledged the omission and explained that the elements yet to be recognized include Inventory, which will be recognized in the Financial Year 2025/2026, and Assets, which will be recognized in the Financial Year 2026/2027; and
3. Management indicated that the phased recognition of these elements is being undertaken in accordance with National Treasury Circular No.03/2025 on Guidelines on Transition from Cash to Accrual Accounting dated 14 April 2025.

Committee Recommendations

Following its review of the matter, the Committee recommends the following, THAT:

1. **Going forward, the Accounting Officer ensures that all required disclosures in the financial statements are fully complied with in accordance with the prescribed reporting template issued by the Public Sector Accounting Standards Board (PSASB).**
2. **The Accounting Officer ensures that the transition from cash to accrual accounting is implemented within the timelines provided in National Treasury Circular No.03/2025 issued on 14 April 2025.**
3. **The Accounting Officer ensures that all financial statement elements not yet recognized are progressively identified, documented, and incorporated in the financial statements in line with the Government's transition to accrual-based accounting.**
4. **That the matter is unresolved**

3.2 Inaccuracies in the Financial Statements

Review of the annual report and financial statements revealed the following inaccuracies; The statement of financial performance reflects an amount of Kshs.9, 100,755,678 in respect of transfers from the County Revenue Fund (CRF), while the CRF reflects an amount of Kshs.9, 290,898,968 resulting in unreconciled variance of Kshs.190, 143,290. Further, The statement of cash flows under cash flows from investing activities, reflects an amount of Kshs.388,118,718 relating to property, plant and equipment, while the same component in the statement of comparison of budget and actual amounts reflects an amount of Kshs.376,231,334 resulting in unreconciled variance of Kshs.11,887,384.

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

Management Response

The variance of Kshs. 190,143,200 was as a result of wrong treatment of FLLoCA Funds and TVETs. Transfers of Kshs 235,405,790 was captured in CRF as own source revenue. Additionally, Kshs 45,262,500 in FLLoCA was for TVETs.

The variance has been corrected through the following Journal entries;

- i. This has been reversed through Journal voucher no 6(c) which consisted of transfers of Kshs 185,405,790 and J.V no 21(b) amounting to Kshs 50,000,000 totaling Kshs 235,405,790. See Annex 1(i)*
- ii. Further scrutiny of the FLLoCA transfers revealed that the amount of Kshs 235,405,790 was inclusive of Kshs 45,262,500 which was transfers to TVETs. This figure has been reversed from FLLoCA vide journal voucher 21(a). Annex 1(ii)*

Summary

Flloca fund transfers- 235,405,790..... (J.V No 21b&6c)

Less TVET (45,262,500).....(J.V No 21a)

Reported variance- 190,143,200

- iii. unreconciled variance of Kshs.11,887,384 is a result of the omission to correct both the cash flow statement and the statement of comparison of budget and actual amounts. The initial cash flow statement and the supporting schedules reported as Kshs 376,231,334. This figure was amended to Kshs 388,118,718 in the final cash flow statement. However, this correction was not made in the statement of comparison of budget and actual amounts.*

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. Unreconciled variances existed in the financial statements, including:
 - i. A variance of Kshs. 190,143,290 between transfers from the County Revenue Fund reflected in the Statement of Financial Performance and the amount reported in the County Revenue Fund records; and
 - ii. A variance of Kshs. 11, 887,384 between the Statement of Cash Flows and the Statement of Comparison of Budget and Actual Amounts in respect of Property, Plant and Equipment, where the Statement of Cash Flows reflected Kshs. 388,118,718 while the Statement of Comparison of Budget and Actual Amounts reflected Kshs. 376,231,334.
2. Management attributed the variances to:
 - i. The variance of Kshs. 190,143,290 arising from the incorrect treatment of Financing Locally-Led Climate Action Program (FLLoCA) funds and transfers to Technical and Vocational Education and Training (TVET) institutions, which had been erroneously captured in the County Revenue Fund as own-source revenue.
 - ii. The variance of Kshs. 11,887,384 arising from failure to update both the Statement of Cash Flows and the Statement of Comparison of Budget and Actual Amounts after amending the cash flow figures.
3. That, as at the time of the Committee's deliberations, the errors noted by the Auditor had been corrected through journal entries reversing the misclassified transfers and adjusting the portion relating to TVET transfers.

Committee Recommendations

Following its review of the matter, the Committee recommends the following, THAT:

- 1. The Accounting Officer ensures that the effects of all corrective actions, such as journal entries reversing misclassified amounts, are accurately reflected in the opening balances of the subsequent financial year's financial statements.**
- 2. The Accounting Officer strengthens internal review, verification, and control mechanisms to ensure that all figures in the financial statements, including the Statement of Cash Flows and the Statement of Comparison of Budget and Actual Amounts, are accurate, consistent, and properly classified to prevent future errors.**
- 3. That the matter is resolved.**

3.3 Unsupported Trade and Other Payables

The statement of financial position reflects a balance of Kshs. 5,944,565,373 in respect of trade and other payables as disclosed in Note 17 to the financial statements. Included in the balance is Kshs. 4,074,201,380 in respect of verified pending bills out of which Kshs. 1,240,781,349 has been outstanding for over three years, an amount of Kshs. 301,930,175 has been outstanding for between 2 and 3 years. However, the aging analysis and supporting records for payables amounting to Kshs. 1,870,363,993 was not provided for audit review.

In addition, review of the supporting schedule provided for audit also revealed that payments totaling Kshs. 112,161,062 paid during the year under review were not listed or disclosed as part of the pending bills in the audited financial statements for the prior years.

In the circumstances, the completeness, accuracy and existence of the unsupported trade and other payables paid during the year totaling to Kshs. 1,982,525,055 could not be confirmed.

Management Response

The variance between the comparative amount of trade and other payables amounting to Kshs. 1,870,363,993 relates to legal liabilities that were verified after the preparation of the initial Financial Statements and subsequently adjusted in the amended financial statements. The revised value of the verified and eligible pending bills, as supported by the aging analysis and accompanying documentation, has been submitted to the Auditor for verification of the same. See Attachment 1

The County Treasury further clarifies that the suppliers paid totalling Kshs. 112,161,062, though not initially appearing in the pending bills register, were legitimate obligations identified during the comprehensive Pending Bills Verification Exercise conducted by the County Multi-Sectoral Committee. Some of these payments relate to KUSP I commitments, which the County Executive Committee had resolved should be settled to regularize outstanding program obligations. The remaining valid claims had not been captured as at the close of the financial year ended 30 June. The County Executive Committee's approval is hereby attached together with the corresponding list of the suppliers annex See Annex 2

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. A total of Kshs.1, 870,363,993 in trade and other payables lacked supporting records and aging analysis, thereby putting their completeness, accuracy, and existence in doubt.
2. Amounts totaling Kshs. 1,540,070,524 had been outstanding for long periods, with Kshs. 1,240,781,349 outstanding for over three years and Kshs. 301,930,175 outstanding for between two and three years, indicating delayed payments.
3. Payments totaling Kshs.112, 161,062 made during the year were not listed or disclosed as part of the pending bills in prior years, raising concerns over the completeness and reliability of the reported payables.
4. Management had not provided, by the time of Committee deliberations, the supporting aging analysis and documentation for verification by the Auditor.

Committee Recommendations

Following its review of the matter, the Committee recommends the following, THAT:

- 1. The Accounting Officer, within 60 days of adoption of this report, ensures that the total amount of Kshs.1, 870,363,993 in trade and other payables is adequately supported with relevant documents, including aging analysis, to enable verification and confirmation of completeness.**
- 2. A report on the implementation of the same be submitted to the Implementation Committee within 90 days of the adoption of this report.**
- 3. That the matter is unresolved.**

3.4 Unsupported Customers Deposits

The statement of financial position reflects an amount of Kshs. 46,149,043 relating to refundable deposits and prepayments as disclosed in Note 18 to the financial statements. However, supporting ledgers provided for the audit reflected amount of Kshs. 42,313,576 resulting in unreconciled variance of Kshs. 3,835,467.

In the circumstances, the completeness and accuracy of refundable deposits and prepayments balance of Kshs.46,149,043 could not be confirmed.

Management Response

At the end of FY 2024/2025, the account balance stood at Kshs. 46,149,042, comprising outstanding deposits (old deposits) amounting to Kshs. 3,835,466.65 and deposits received in June 2025 totaling Kshs. 42,313,576.20, as reflected in the bank reconciliation statement (Annex 3).

A detailed schedule is attached in support of the variance of Kshs. 3,835,466.65 relating to the outstanding (old) deposits.

<i>DATE</i>	<i>PAYE</i>	<i>AMOUNT</i>
13-May-25	HERINOLIX VENTURES	284,050.20
15-May-25	MABEX VENTURES	297,856.25
13-Jun-25	COTECH AGENCIES LTD	249,999.90
15-May-25	Jonag Enterprise Limited	249,429.75
19-May-25	ELSOGA ENTERPRISES	247,760.00
23-Apr-25	Grademark Investment Limited	200,000.00
24-Apr-25	Geoflex Construction Company Ltd	200,000.00
11-Apr-25	Tarose Investments Limited	199,941.00
12-May-25	CLAREMENT ENTERPRISES	199,905.00
11-Apr-25	PELOR SERVICES LTD	199,710.00
3-Jun-25	PRADAM INVESTMENTS	199,000.00
25-Oct-24	Rasito Investments Limited	198,972.40
12-May-25	Cassiro Enterprises Ltd	198,655.00
9-Oct-24	Tuscan Investments Limited	197,967.00
15-May-25	Wasafi Developers Limited	197,433.00
15-May-25	HAWIELA VENTURES	188,737.50
13-Jun-25	Foston Enterprise Limited	178,950.00
8-May-25	IZA MARVELS GENERAL ENTERPRISE	147,100.00
	<i>TOTAL</i>	3,835,466.65

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. A variance of Kshs.3, 835,467 was noted between Kshs.46, 149,043 reported in the financial statements in respect of refundable deposits and prepayments and Kshs.42, 313,576 reflected in the supporting ledgers.
2. Management provided a schedule supporting the above-mentioned variance of Kshs.3, 835,467 relating to outstanding deposits; however, proper journal entries to reconcile the

variance were not presented for audit verification, resulting in the matter being only partly addressed.

Committee Recommendations

Following its review of the matter, the Committee recommends the following, THAT:

- 1. The Accounting Officer, within 60 days of adoption of this report, ensures that the variance of Kshs.3, 835,467 relating to refundable deposits and prepayments is fully reconciled through appropriate journal entries and accounting adjustments.**
- 2. A report on the implementation of the same be submitted to the Implementation Committee within 90 days of adoption of this report.**
- 3. That the matter is unresolved.**

3.5. Budgetary Control and Performance

The statement of comparison and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis of Kshs. 14,214,711,871 and Kshs. 9,241,631,511 respectively, resulting in an under-funding of Kshs. 4,973,080,360 or 35% of the budget. Similarly, the County Executive expended Kshs. 8,569,136,546 against actual receipts of Kshs. 9,241,631,511 resulting in under expenditure of Kshs. 672,494,965 or 7 % of the available funds.

The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the residents of Kisumu County.

Management Response

The county acknowledges the auditor's observation in under-funding and has put measures in place to enhance revenue collection to achieve the approved revenue projections.

The under expenditure was because of late exchequer release See annex 4

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. Under-funding of Kshs. 4,973,080,360 (35% of the approved budget) was noted, where actual receipts of Kshs. 9,241,631,511 fell short of the budgeted Kshs. 14,214,711,871.
2. The County Executive expended Kshs. 8,569,136,546 against actual receipts of Kshs. 9,241,631,511, resulting in under-expenditure of Kshs. 672,494,965 (7% of available funds).

3. The under-funding and under-expenditure affected planned activities and may have negatively affected service delivery to residents of Kisumu County.
4. Management attributed the under-funding to shortfalls in revenue collection, and the under-expenditure to late exchequer releases in June 2025.

Committee Recommendations

Following its review of the matter, the Committee recommends the following, THAT:

1. **The Accounting Officer ensures that appropriate measures to enhance revenue collection are fully implemented to achieve the approved revenue projections.**
2. **The Accounting Officer should continuously engage the National Treasury to ensure timely release of exchequer funds.**
3. **That the matter is unresolved.**

3.6. Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Kisumu County Executive in 2024/2025 revealed that the following issues remained unresolved as detailed in **Appendix I**.

Management Response

We acknowledge the auditor's observation. However, the issues were resolved and recommendations of the Senate implemented, as evidenced by the follow-up response to the audit recommendations of the OAG report for Kisumu County Executive for FY 2023/2024. The report is availed to the auditor for review. The forwarding letter to the Senate dated See Annex 5

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. Several issues raised in the prior year's audit report under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance remained unresolved during the audit of the Kisumu County Executive for FY 2024/2025.

2. Management submitted a follow-up report on 16 February 2026 detailing the implementation of prior year audit recommendations; however, the Auditor did not have sufficient time to review the report and conclude on the resolution of the issues.
3. As a result, the prior year issues raised by the Auditor remain unresolved from the audit perspective.

Committee Recommendations

Following its review of the matter, the Committee recommends the following, THAT:

- 1. The Accounting Officer ensures that all prior year audit recommendations are fully implemented and documented.**
- 2. The Accounting Officer submits a status report to the Implementation Committee within 90 days of adoption of this report, including evidence of actions taken to resolve all outstanding prior year audit issues.**
- 3. That the matter is remains unresolved.**

4.0 REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

4.1. Procurement Process Undertaken after Cut-off Date

Note 17 to the financial statements reflects trade and other payable's amount of Kshs.5,944,565,373. Included in the amount is third-party payments amounting to Kshs.4,074,201,380. Review of the procurement documents and payment vouchers amounting to Kshs.5,995,985 revealed that the County Government of Kisumu, through the Department of Water, Environment, Climate Change and Natural Resources, initiated the procurement of several water projects after the 31 May, 2024 cut-off date, in contravention of National Treasury No. 11 on guidelines of implementation of 2024/2025 budget which guided that no new procurement activities were supposed to be initiated beyond the set cut-off date 31 May, 2025 of the financial to allow for proper financial closure and absorption planning within the fiscal year.

Failure to comply with this directive may have resulted to accumulation of pending bills, financial misstatements, and strained budget implementation. Furthermore, explanation and documentation provided by management did not demonstrate compelling justification or explained circumstances warranting deviation from approved procurement timelines.

In the circumstances, Management was in breach of the National Treasury Regulations.

Management Response

It is important to clarify that the two projects in question—Borehole Equipping at Obola and Chuthber Water Projects were initially conceptualized and subjected to the procurement process earlier in the financial year. However, they did not meet the responsiveness threshold during the initial evaluation, necessitating a re-initiation of the procurement process. This unanticipated delay constrained the available implementation timeframe but was critical to ensuring value for money, competition, and compliance with procurement regulations.

In recognition of the approaching end-year financial closure timelines, the Department of Water, Environment, Climate Change and Natural Resources formally sought the consent of the County Accounting Officer. Through an approval letter dated 9th May 2024, the Accounting Officer authorized the continuation of the procurement process beyond the 31st May cut-off date. This approval, granted in writing, is attached herein for your review. It was based on prudent judgment that completing the re-tendered process would serve public interest and avert the loss of planned development outcomes.

We believe this course of action, though exceptional, was the most cost-effective and administratively viable solution under the circumstances. The decision was taken in good faith, with appropriate oversight and alignment to the broader objective of service delivery within the Water and Environment sector. See Annex 6

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. Procurement activities for several water projects under the Department of Water, Environment, Climate Change and Natural Resources were initiated after the 31 May cut-off date. This was contrary to the provisions of National Treasury Circular No. 11 on the Guidelines for Implementation of the FY 2024/2025 Budget, which prohibits the initiation of new procurement activities beyond the stipulated cut-off date in order to allow for proper financial closure and budget absorption planning.
2. Management provided an approval letter from the County Accounting Officer authorizing the continuation of the procurement process beyond the cut-off date. However, the approval did not provide sufficient justification or demonstrate exceptional circumstances warranting deviation from the established procurement timelines.
3. Consequently, the procurement activities undertaken beyond the stipulated cut-off date did not comply with the National Treasury Regulations governing financial year-end procurement procedures.

Committee Recommendations

Following its consideration of the matter, the Committee recommends the following, THAT:

- 1. The Accounting Officer should ensure that all procurement activities are initiated and completed within the timelines prescribed in the relevant National Treasury Circulars and Regulations in order to facilitate proper financial closure and avoid the accumulation of pending bills.**
- 2. Going forward, any deviation from the prescribed procurement timelines should only occur under clearly documented exceptional circumstances, supported by adequate justification and appropriate approvals in accordance with the applicable laws and regulations.**
- 3. Future non-compliance with National Treasury Circulars and procurement timelines should attract appropriate administrative action against the responsible officers in accordance with the relevant public finance management and public procurement laws.**
- 4. The matter is unresolved.**

4.2 Irregular Procurement Process- Purchase of Computers and Other Equipment

The statement of financial position reflects property, plant, and equipment totaling Kshs. 393,322,516. The reported balance represents additions made during the year, excluding historical assets. Included in the PPE is computers and related equipment amounting to Kshs. 27,160,611, as disclosed in Note 15 to the financial statements. Review of a payment of Kshs. 2,977,500 to an entity revealed that the Company was prequalified under provision of construction and other civil works and had a framework agreement to supply general office supplies but was irregularly invited to bid and awarded contract to supply computers, while 277 companies prequalified under category of computer supply were denied an opportunity to bid and compete fairly. This was contrary to Article 227(1) of the Constitution of Kenya 2010, that states when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

Management Response

It is observed that the department of Education, Technical Training, Innovation and Social Services during the preparation of the procurement plan did not reserve tenders for persons with disability as required by law. However, the department realized the omission and immediately revised the procurement plan to accommodate persons of disability.

M/s SPRATA ENTERPRISES is duly registered under the AGPO Category for Persons with Disabilities (PWD), as evidenced by Certificate No. NT/PPD/2024/PWD/1172 and the official PWD list published on the County Website. Accordingly, the contract for the supply of computers, valued at Kshs. 2,977,500, was awarded in full compliance with the relevant procurement laws (ANNEX 7).

Committee Observations

During its deliberations, the Committee observed the following, THAT:

1. The Accounting Officer irregularly awarded a contract worth Kshs. 2,977,500 for the supply of computers and related equipment to an entity that had been prequalified under the category of construction and other civil works, contrary to established procurement procedures.
2. As a result, 277 firms that had been prequalified under the category for the supply of computers and related equipment were denied an opportunity to bid and compete, thereby undermining the principles of fairness, equity, transparency, competitiveness, and cost-effectiveness as stipulated under Article 227(1) of the Constitution of Kenya, 2010.
3. The Committee further noted that the Head of Procurement failed to effectively advise the Accounting Officer as required under Section 84 of the Public Procurement and Asset

Disposal Act, 2015, which mandates the Head of Procurement to provide professional advice to ensure procurement processes comply with the Constitution, relevant laws, regulations, and policies.

4. Consequently, the procurement process leading to the award of the contract did not comply with the provisions of the Constitution of Kenya, 2010 and the Public Procurement and Asset Disposal Act, 2015 and its Regulations.

Committee Recommendations

Following its consideration of the matter, the Committee recommends the following, THAT:

- 1. Going forward, the Accounting Officer should ensure that all procurement processes strictly adhere to the provisions of Article 227 of the Constitution of Kenya, 2010, the Public Procurement and Asset Disposal Act, 2015, and the applicable regulations in order to guarantee fairness, transparency, competitiveness, and value for money in public procurement.**
- 2. In future, the Head of Procurement should ensure that procurement processes are conducted strictly within the appropriate prequalification categories, and that all eligible firms are accorded an equal opportunity to participate in procurement processes.**
- 3. Any future violation of these provisions should attract appropriate administrative and legal action against the responsible officers in accordance with the relevant laws.**
- 4. The matter is unresolved.**

4.3 Irregular Award of Contracts

Note 8 to the financial statements reflects expenditure on use of goods and services amounting to Kshs. 2,374,381,143, of which Kshs. 795,722,748 relates to repair and maintenance of access roads and other roads. Review of procurement records for selected projects revealed material irregularities in the procurement and tender evaluation processes as outlined below;

4.3.1 Award of Contract to an Unqualified Bidder

A firm was awarded a contract amounting to Kshs.3,939,447 for the opening and maintenance of the Glory-SDA-Baba Selina-Kobaso-Kodeny Corner Access Road.

Review of the procurement file revealed that tender evaluation was conducted on 31 May, 2024 and the following irregularities were noted:

a) Over scoring at Technical Evaluation

Under the general experience criterion, the successful bidder was 16 marks, exceeding the maximum allowable score of 13 marks. Further, based on the documentation provided, the bidder was only eligible for 4 marks under this criterion.

b) Improper Assessment of Financial Capability

Under the financial capability criterion, the bidder was awarded 9 marks for submission of certified audited financial statements. However, the financial statements submitted were incomplete and related to irrelevant financial years (2018 and 2019) instead of the required recent years (2021, 2022, and 2023). Therefore, the bidder should have scored Nil marks under this criterion.

As a result of the inflated technical scores, the bidder attained a total of 61 marks, thereby qualifying for financial evaluation and ultimately being awarded the tender. However, had the evaluation been conducted in accordance with the tender requirements, the bidder would have scored 40 marks, which was insufficient to qualify for progression to the financial evaluation stage.

In the circumstances, the integrity of the procurement process could not be confirmed

Management Response

Management admits Auditor's findings on 8.1 (a) and 8.1 (b). This was due to an oversight by the members of the Evaluation Committee who were duly appointed to undertake the Tender Evaluation exercise. The Management has taken corrective action by issuing warning letters to the staff who participated in the tender evaluation exercise. (The Letters are hereby attached as Annex 8 (i)).

Management has further reiterated the requirement for strict compliance with the tender evaluation criteria and applicable procurement laws and regulations in all future procurement processes to prevent recurrence of similar irregularities. See ANNEX 8 (i)

Committee Observations

During its deliberations, the Committee observed, THAT:

1. The Tender Evaluation Committee irregularly inflated the successful bidder's technical score from 40 marks to 61 marks by awarding 16 marks under the general experience criterion instead of 4 marks, and further awarding 9 marks under the financial capability

criterion despite submission of irrelevant and incomplete financial statements for the years 2018 and 2019 instead of 2021, 2022, and 2023.

2. As a result of the inflated scores, the bidder qualified for the financial evaluation stage and was subsequently awarded the contract, yet the bidder would not have met the minimum technical threshold had the evaluation been conducted strictly in accordance with the tender evaluation criteria.
3. The Head of Procurement did not adequately verify the correctness of the evaluation outcome before issuing the professional opinion, contrary to the requirements of Section 84 of the Public Procurement and Asset Disposal Act, 2015, which mandates the Head of Procurement to provide professional advice on compliance with procurement laws and regulations.
4. The Accounting Officer did not undertake adequate due diligence before approving the award, thereby failing to ensure that the procurement process complied fully with the tender requirements and applicable procurement laws.
5. By the time of committee deliberations, Management had acknowledged the irregularities and issued warning letters to the officers who participated in the tender evaluation process.

Committee Recommendations

Following its consideration of the matter, the Committee recommends,

- 1. That this matter be referred to the Ethics and Anti-Corruption Commission for further investigation into possible loss of public funds**
- 2. That going forward, the Accounting Officer should ensure that tender evaluation committees strictly apply the approved evaluation criteria and scoring thresholds to prevent manipulation of technical scores.**
- 3. That administrative action be taken against the officers responsible and a report on the same be submitted to this Assembly within a period of 30days upon adoption of this report**
- 4. That in future, the Head of Procurement should ensure that professional opinions issued to the Accounting Officer are based on thorough verification of tender evaluation processes and supporting documentation, confirming full compliance with procurement laws and regulations.**
- 5. The matter is unresolved.**

4.3.2 Non-Compliance with Tender Requirements

A company was awarded a contract for the improvement of Kokumu-Naki - Pap Ndege - Korona Road at a contract sum of Kshs. 4,993,986 on 14 March, 2025. Review of the procurement file revealed that the procurement method used was Request for Quotations. Three tenderers were

invited to bid and they all responded and consequently the company was deemed the most responsive. However, review of the tender documents revealed the following irregularities;

- i. All bidders were required to attach a copy of single business permit/trading license. It was noted that the winning bidder attached a single business permit belonging to another business entity. Based on the above, the bidder should have been disqualified at preliminary evaluation stage and excluded from further consideration.
- ii. At technical evaluation, the bidder was awarded 55 marks out of a maximum of 70 marks. Review of the tender documents revealed that the scores were unjustified as the bidder failed to provide evidence of meeting the required parameters. For example; 8 marks was awarded for general experience proof by attaching copies of reference letters/LPOs and or contracts of four such assignments carried out by the bidder for public and private sector organizations. Further, under specific experience in similar works, 12 marks were awarded without demonstrating or providing any supporting documentation. Further, on financial capability six marks were awarded for attaching certified audited accounts the last three financial years. However, these accounts were not provided for audit verification.

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

Management Response

Management acknowledges the Auditor's findings under paragraph 8.2. The identified irregularity arose due to an oversight by members of the Evaluation Committee. In response, the Department has taken corrective action by issuing warning letters to the staff involved in the tender evaluation process. Copies of the warning letters are attached as Annex 8.(i)

Management has further emphasized the need for strict adherence to tender evaluation criteria and full compliance with applicable procurement laws and regulations in all future procurement activities, in order to prevent the recurrence of similar irregularities.

Committee Observations

During its deliberations, the Committee observed, THAT:

1. The winning bidder submitted a single business permit belonging to another business entity, and should therefore have been disqualified at the preliminary evaluation stage.
2. At technical evaluation, the bidder was awarded 55 marks out of 70 without adequate supporting evidence. Specifically:
 - i. 8 marks were awarded for general experience without sufficient documentation.
 - ii. 12 marks were awarded under specific experience without supporting evidence.
 - iii. 6 marks were awarded for financial capability despite the audited accounts being unavailable for verification.

3. The Head of Procurement violated Section 84 of the Public Procurement and Asset Disposal Act, 2015 by issuing professional opinion without verifying the correctness of the evaluation results and supporting documents.
4. The Accounting Officer failed to carry out due diligence by approving the award without reviewing the bidder's documentation, contrary to Section 84 of the Public Procurement and Asset Disposal Act, 2015.
5. Management had issued warning letters to the officers involved in the tender evaluation process.

Committee Recommendations

Following its consideration of the matter, the Committee recommends, THAT:

- 1. Going forward, the Accounting Officer should ensure that all procurement processes strictly adhere to the provisions of Article 227 of the Constitution of Kenya, 2010, the Public Procurement and Asset Disposal Act, 2015, and the applicable regulations to safeguard fairness, transparency, competitiveness, and value for money in public procurement.**
- 2. Any future violation of these provisions should attract appropriate administrative and legal action against the responsible officers.**
- 3. In future, the Head of Procurement should ensure that professional opinions issued to the Accounting Officer are based on thorough verification of tender evaluation processes and supporting documentation, confirming full compliance with procurement laws and regulations.**
- 4. The matter unresolved.**

4.4 Improvement of Nyamasaria Bridge - Kasaoke Access Road

The same firm was also awarded another contract for the improvement of Nyamasaria bridge - Kasaoke access road at a contract price of Kshs. 3,470,723 on 21 June, 2024. Physical inspection during the audit on 23 July, 2025 revealed that the contractor installed a total of 28 meters culvert which were in four different locations. Approximately one year and one month after project completion the following were observed;

The head walls, wing wall, aprons and surround of the culverts had deteriorated with some culverts already blocked and structural components did not meet standard specifications with visible cracks already evident. Additionally, the concrete on some culverts were clearly visible indicating deficiencies in backfilling, gravelling and compacting works, which contributed to development of substantial potholes. Further, after the third culvert, it was noted that a ditch had been dug

across the road rendering it impassable and most sections of the road exhibited rough patches and large potholes, indicating premature deterioration and poor workmanship.

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

Management Response

Management acknowledges the audit observation relating to the Nyamasaria Bridge – Kasaoke Access Road, which was completed on 27 June 2024. At the time of audit verification on 23 July 2025, heavy rains experienced in March 2025, coupled with the natural wear of the murram surface, had contributed to the deterioration of certain road sections and culverts, as well as weathering of the culvert structures. In addition, the improved road has since attracted increased traffic volumes, which has accelerated gravel loss.

Management confirms that technical supervisors assigned to the project ensured adequate quality control throughout the construction and maintenance phases. This included material testing for both gravel and concrete. The material test results confirm that the contractor utilized an approved and quality concrete mix, thereby indicating that the observed deterioration is attributable to natural wear and environmental factors rather than substandard workmanship. A copy of the material test results is attached as Annex 8 (ii).

Prior to payment, the Inspection and Acceptance Committee conducted an inspection in accordance with applicable legal requirements to confirm that the works were executed in line with the approved specifications. Upon satisfactory verification, an Inspection and Acceptance Certificate was duly issued as required by law. The certificate is attached as Annex 8 (iii).

The county government will consider making a budgetary allocation for routine maintenance in FY 2026/2027 to ensure the road remains in good serviceable condition, recognizing that gravel roads require regular and periodic maintenance to sustain durability.

Committee Observations

During its deliberations, the Committee observed, THAT:

1. Approximately one year after project completion, the culverts and road sections on Nyamasaria Bridge – Kasaoke Access Road had deteriorated, with blocked culverts, exposed concrete, potholes, rough patches, and a ditch across the road, indicating early and accelerated deterioration.

2. The structural deficiencies observed suggest possible poor workmanship or inadequate construction practices, particularly regarding backfilling, gravelling, and compaction of the culverts.
3. The contractor has previously demonstrated poor performance and non-compliance, notably on the Kokumu-Naki – Pap Ndege – Korona Road project, highlighting the need for enhanced oversight and stricter vetting before awarding future contracts.
4. Due to the early deterioration, value for money on the expenditure incurred could not be confirmed, despite management’s assertion that material testing and inspections were conducted.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

- 1. Going forward, the Accounting Officer should ensure that all road construction projects are properly supervised by qualified engineers and technical personnel throughout the project lifecycle, including pre-construction and construction phases, to guarantee quality, durability, and compliance with approved specifications.**
- 2. The County Government should allocate adequate budgetary provisions for routine and preventive maintenance of gravel roads to ensure sustainability and value for money.**
- 3. The matter is unresolved.**

4.5 Failure to Prepare and Maintain a Roads Infrastructure Register

Note 8 to the financial statements reflects use of goods and services of Kshs. 2,374,381,143. Included in the amount is Kshs. 795,722,748 that relates to access roads and others. The audit revealed that the entity did not maintain a roads infrastructure register as required by the National Treasury Guidelines issued on July, 2020 in respect of asset and liability management reporting registers and templates. The roads infrastructure register should include details such as road description, road ID, length in kilometers, date of commissioning, type of road, mode of funding, useful life, and cost.

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

Management Response

At the time of the audit, the roads asset register had not been fully updated. However, the register has since been updated and submitted to the auditors for review. The County further undertakes

to ensure that the roads asset register is continuously updated as and when roads are constructed or upgraded. (Annex 8 (iv))

Committee Observations

During its deliberations, the Committee observed, that:

1. Contrary to the National Treasury Guidelines issued in July 2020 on asset and liability management reporting, management failed to maintain a roads infrastructure register, which should include details such as road description, road ID, length, date of commissioning, type of road, mode of funding, useful life, and cost.
2. At the time of Committee deliberation, management had submitted an updated roads infrastructure register to the auditors, and the issue had been addressed.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

1. **Going forward, the Accounting Officer must ensure timely preparation and continuous updating of the roads infrastructure register, and that all relevant documents are provided to the auditor as required under Section 62 of the Public Audit Act 2015.**
2. **The matter is resolved**

4.6 Non-Compliance with Gender Representation Requirements in the County Executive Committee

Article 179(2) of the Constitution of Kenya provides that the County Executive Committee (CEC) shall consist of the Governor, Deputy Governor, and members appointed by the Governor with the approval of the County Assembly. Review of the composition of the Kisumu County Executive Committee revealed that it comprises twelve (12) members, of whom three (3) are female and nine (9) are male. As a result more than two-thirds of the appointed members are of the same gender, contrary to the constitutional principle of affirmative action as outlined under Article 27(8) which stipulates that not more than two-thirds of the members of any appointive body shall be of the same gender.

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

Management Response

In applying affirmative action and promoting women's empowerment and inclusion at the highest levels of administration, the County Executive Committee (CEC) currently comprises three (3) female and nine (9) male members. This represents a positive step towards compliance with the gender rule.

During the first term of the current administration, the County recruited three (3) female County Executive Committee Members against nine (9) male members. In line with gender mainstreaming principles, the County retained the same number of female County Executive Committee Members during the reconstitution of the CEC following the renewal of the Governor's mandate.

Enclosed are copies of appointment letters for six (6) female County Executive Committee Members appointed between 2017 and to date. (See Annex 9)

Committee Observations

During its deliberations, the Committee observed, THAT:

1. The Kisumu County Executive Committee (CEC) comprises twelve (12) members, of whom three (3) are female and nine (9) are male, resulting in more than two-thirds of members being of the same gender, contrary to Article 27(8) of the Constitution of Kenya 2010, which requires that not more than two-thirds of the members of any appointive body shall be of the same gender.
2. Management indicated that the current composition represents a positive step toward compliance; however, the County has not yet achieved full compliance with the constitutional gender requirement.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

- 1. The Governor should ensure that the composition of the County Executive Committee fully complies with the two-thirds gender rule as stipulated under Article 27(8) of the Constitution of Kenya 2010 in all future appointments.**
- 2. The matter is unresolved**

4.7 Gender Imbalance in Top Management Positions

Review of staff biodata for County Executive for the month of July, 2024 revealed that there were eighty (80) employees in Job Groups R, S, and T, which constitute the top three grades in county public service. Out of these, only seventeen (17) were women, translating to 21.25% female representation. This indicates that the representation of women in senior management is below the one-third threshold, contrary to the constitutional requirement under Article 27(8) of the Constitution of Kenya, which mandates that not more than two-thirds of members of any appointive body shall be of the same gender.

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

Management Response

The County Government of Kisumu is committed to upholding the provisions of the National Cohesion and Integration Act and the County Governments Act by ensuring diversity and inclusivity in public service. As an equal opportunity employer, all vacant positions are publicly advertised, and recruitment is conducted through a competitive and transparent process. Selection is based strictly on merit and in accordance with constitutional values and applicable legislation.

In furtherance of gender mainstreaming principles, the County recruited seven (7) female officers in Job Group R and appointed one (1) female officer to the position of Chief Officer in an acting capacity. A list of names for appointment to Chief Officer positions and shortlist summary of applicants for the positions of Directors and Chief Officers is attached. (See Annex 10)

Committee Observations

During its deliberations, the Committee observed, THAT:

1. Out of the eighty (80) employees in Job Groups R, S, and T, which constitute the top three grades in County Public Service, only seventeen (17) were women, representing 21.25% female participation.
2. The representation of women in senior management is therefore below the one-third threshold, contrary to Article 27(8) of the Constitution of Kenya 2010, which requires that not more than two-thirds of members of any appointive body shall be of the same gender.
3. While management indicated that recruitment is conducted transparently and based on merit, and that there have been recent appointments of female officers in Job Group R and acting Chief Officer Positions, full compliance with the constitutional gender requirement in senior management has not yet been achieved.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

1. **The Governor and County Executive should ensure that all top management appointments (Job Groups R, S, and T) progressively comply with the two-thirds gender principle, with deliberate measures to increase female representation to meet the constitutional threshold.**
2. **The matter is unresolved.**

4.8 Non -Adherence to Ethnic Diversity in County Staffing

Review of human resource records as at 30 May, 2025 revealed that 87.6% of employees in the County Executive were drawn from one dominant ethnic community, contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008. This section requires that no public institution shall have more than one-third of its staff from the same ethnic community. Furthermore, analysis of top management staffing showed that 85% of senior positions in Job Groups R, S, and T were also held by individuals from the same ethnic group, demonstrating a lack of regional and ethnic diversity at the leadership level.

In the circumstances, Management breached the law.

Management Response

The management acknowledges the audit finding that the ethnic composition of the County Public Service reflects a concentration of officers from one dominant ethnic community, contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008.

The management clarifies that the current staffing profile is largely a legacy of historical recruitment patterns and transitional arrangements that accompanied the establishment of devolved governance structures. Nonetheless, the County is progressively working towards compliance with the Act, as evidenced by the attached documentation detailing applications received, shortlisted candidates, and successful applicants from recent recruitment exercises.

- i. Longlists of applicants for positions advertised in FY 2024/2025, with applicants from non-dominant ethnic communities clearly highlighted (See Annex 11 (i)).*
- ii. Shortlists of applicants for the same recruitment cycle, highlighting candidates from non-dominant ethnic communities (See Annex 11.(ii)).*
- iii. Lists of successful candidates, indicating officers drawn from non-dominant ethnic groups (See Annex 11.(iii)).*

Further, records indicate that for the recruitment of Early Childhood Development (ECD) teachers, two hundred and sixty (260) applicants from non-dominant ethnic communities applied, thirteen (13) were shortlisted, and six (6) were appointed. In contrast, for the position of Technical and Vocational Education and Training (TVET) trainers, fifty-seven (57) applicants from non-dominant ethnic communities applied, nine (9) were shortlisted, and none was appointed.

Committee Observations

During its deliberations, the Committee observed, THAT:

1. 87.6% of the employees in the County Executive were drawn from one dominant ethnic community, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that no public institution shall have more than one-third of its staff from the same ethnic community.
2. 85% of senior positions (Job Groups R, S, and T) were held by individuals from the same ethnic group, demonstrating a lack of ethnic and regional diversity at the leadership level.
3. While management indicated that some progress is being made through recent recruitment exercises, the Committee noted that full compliance with the ethnic diversity requirement has not yet been achieved.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

- 1. The Governor and County Executive should ensure that all recruitment, promotion, and appointments within the County Executive progressively comply with Section 7(2) of the National Cohesion and Integration Act, 2008, particularly in senior management positions.**
- 2. The County should develop and implement a clear diversity and inclusion plan, including monitoring and reporting mechanisms, to ensure that ethnic representation requirements are met in all staffing levels.**
- 3. The matter is unresolved.**

4.9 Non-Compliance with the Persons with Disabilities Act, 2003

Review of the payroll records and staff bio data for the year under review indicated that the total number of employees as at 31 March, 2025 stood at Four thousand, eight hundred and thirty-four (4,834). Out of this number, only sixty - Nine (69) employees had been categorized as persons

with disability, constituting 1.4% which was below the recommended level of 5% under Section 5(1e) of the Persons with Disabilities Act, 2025 which requires County Governments to promote inclusion of persons with disability in County Public Service by putting in place measures that ensure that at least five (5%) of the employment positions are filled by person with disability.

Additionally, in the year under review, the County recruited two hundred and one (201) employees and there was no single person in the category of people with disability. This was contrary to Section 7(2) of the National Cohesion and Integration Act 2008, which requires at least five (5%) of the vacancies to be assigned people with disabilities. Further, Management did not provide evidence of submitting annual report on status of persons with disability as required by Section 21(3) of the Act

In the circumstances, Management breached the law.

Management Response

The management acknowledges the audit finding that persons with disabilities constitute 1.4% of the County workforce, which is below the statutory minimum threshold of 5% as stipulated under the Persons with Disabilities Act. The Board further acknowledges that the statutory annual report required under Section 21(3) of the Act was not submitted.

These gaps are attributed to limited voluntary disclosure of disability status by employees, the absence of a centralized disability registry, and the lack of targeted recruitment strategies in previous recruitment cycles.

However, the county has demonstrated progress in achieving this provisions as per the documents attached:

- i. Lists of applicants for positions advertised in FY 2024/2025, highlighting applicants who declared disability status and were duly registered (See Annex 12 (i) – pending submission).*
- ii. Lists of successful candidates who are persons with disabilities arising from the recruitment exercises (See Annex 12 (ii)).*

Further, records indicate that for the position of Early Childhood Development (ECD) teachers, four (4) applicants with disabilities applied, three (3) were shortlisted, and two (2) were appointed. For the position of Technical and Vocational Education and Training (TVET) trainers, one (1) applicant with a disability applied, was shortlisted, but was not appointed.

To progressively attain compliance with the statutory requirements, the Board has resolved to implement the following measures:

- i. Liaise with registered persons with disabilities (PWD) groups and associations to conduct targeted sensitization and outreach programs, encouraging qualified PWDs to apply for advertised positions.*
- ii. Ring-fence specific vacancies for qualified persons with disabilities in all future recruitment exercises in order to progressively achieve the 5% statutory requirement.*
- iii. Implement reasonable workplace accommodations to enhance retention, inclusion, and productivity of employees with disabilities.*
- iv. Ensure timely preparation and submission of all statutory reports as required under the law.*

Committee Observations

During its deliberations, the Committee observed, THAT:

1. As at 31 March 2025, out of a total of 4,834 employees in the County Public Service, only sixty-nine (69) employees were persons with disability, representing 1.4% of the workforce, which is below the statutory minimum threshold of 5% required under Section 5(1e) of the Persons with Disabilities Act, 2003.
2. During the year under review, the County recruited 201 employees, yet no person with disability was recruited, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that at least 5% of vacancies be assigned to persons with disability.
3. While management indicated that measures are being put in place, including outreach programs and targeted recruitment, full compliance with the 5% statutory threshold and reporting requirements has not yet been achieved.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

- 1. The Governor and Public Service Board should ensure that all future recruitment exercises progressively meet the statutory 5% minimum threshold for persons with disabilities, including the use of targeted outreach, ring-fenced vacancies, and reasonable workplace accommodations.**
- 2. Management should establish and maintain a centralized registry of persons with disabilities within the County Public Service to facilitate planning, recruitment, and monitoring of compliance with statutory requirements.**
- 3. The matter is unresolved.**

4.10 Overpayment Recoveries

Review of payroll records for the month of June indicated that thirty-six (36) employees were overpaid and the county later started making recoveries for the overpayment. As at year end, the unrecovered balance amounted to Kshs.5,485,450. Reasons as to how these salary overpayments occurred were not provided and therefore it was not possible to confirm existence of internal controls in the management of the payroll data. This contravenes Section 149(1) of the Public Finance Management Act, 2012 which imposes on an Accounting Officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, effective, efficient, economical and transparent. Further, Regulation 120(3) of the Public Finance Management (County Governments) Regulations 2015 requires the Accounting Officer to certify the correctness of the payroll at least once every month.

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

Management Response

The overpayment recoveries were as a result of erroneous placements during implementation of staff promotions and transition from manual payroll to IPPD.

The county government has fully on boarded all staff on HRIS-K and ceased any manual salary payment. This has eliminated any instances of erroneous payments with the in -built user level approvals. Additionally, Corrective action has been taken by reverting the officers to their rightful job groups.

The recoveries are on ongoing and so far, the County has recovered a total of Kshs 1,377,111 out of Ksh 5,485,450 reported by the auditor leaving a balance of Kshs 4,108,339. See Annex 13

Summary of Overpayment Recoveries from July 2025 to December 2025

<u>S/No.</u>	<u>Recovery month</u>	<u>Amount Kshs.</u>
1	July 2025	314,525
2	August 2025	274,000
3	September 2025	242,111
4	October 2025	196,335
5	November 2025	192,180
6	December 2025	157,960
	<i>Total</i>	<i>1,377,111</i>

Committee Observations

During its deliberations, the Committee observed, THAT:

1. During the year, thirty-six (36) employees were overpaid, resulting in a total overpayment of Kshs. 5,485,450.
2. The reasons for these overpayments were not adequately documented, raising concerns about the effectiveness of internal controls over payroll management.
3. At the time of the Committee deliberations, a balance of Kshs. 4,108,339 remained unrecovered, indicating that the overpayment issue had not yet been fully resolved.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

1. **The Accounting Officer in charge of Public Service, County Administration, and Participation and Development should ensure that all payroll processes are properly controlled, verified, and certified monthly to prevent overpayments.**
2. **The Accounting Officer in charge of Public Service, County Administration, and Participation and Development should expedite recovery of the outstanding overpayments.**
3. **The matter is unresolved.**

4.11 Failure to Develop and Maintain Skills Inventory and Succession Plan

County Executive did not maintain a skills inventory for all its employees in the respective departments for the purposes of identifying the available and the required skills to guide training and succession management. This is contrary to Section 11.14 of the County Government of Kisumu Human Resource and procedures manual that requires authorized Officers to develop, analyze, update and maintain a comprehensive skills inventory for all staff in their respective departments for purposes of identifying the available and required skills.

In the circumstances, Management was in breach of the law

Management Response

The County currently does not have a formal skills inventory in place. However, the process of developing one has been initiated. Management has prepared a standardized skills inventory template, which has been distributed to employees to capture information on the skills and competencies they possess.

The data collected is yet to be analysed, after which a comprehensive skills inventory will be developed. (See Annex 14)

Committee Observations

During its deliberations, the Committee observed, THAT:

1. The County Executive does not currently maintain a comprehensive skills inventory for its employees, contrary to Section 11.14 of the County Government of Kisumu Human Resource and Procedures Manual, which requires authorized officers to develop, update, and maintain a skills inventory to guide training and succession planning.
2. While management has initiated the process, including distributing a standardized skills inventory template to employees, the data has not yet been analyzed, and a comprehensive inventory has not yet been developed.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

1. **The Accounting Officer in charge of Public Service, County Administration, and Participation and Development should develop, maintain, and periodically update a comprehensive skills inventory to guide training, capacity building, and succession planning.**
2. **The matter is unresolved.**

4.12 Discrepancy between the IPPD Payroll and List of Staff under Chief Officers

A comparison of staff lists submitted by various Chief Officers with the IPPD and manual staff registers revealed that there were eighty-five (85) employees who appeared in the IPPD/manual records but were not included in the lists provided by the Chief Officers. This may indicate that the County is paying salaries to individuals who are not offering services to the County. The payroll data is therefore incomplete and inaccurate contrary to Regulation 120(3) of the Public Finance Management (County Governments) Regulations 2015 requires the accounting officer to certify the correctness of the payroll at least once every month.

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

Management Response

Management takes note of the audit observation regarding discrepancies between departmental staff lists and the Integrated Personnel and Payroll Database (IPPPD). The 85 mentioned officers are all valid county employees.

The noted discrepancies have been categorized into 5 groups as indicated in the reconciliation summary table below:

The Chief Officers are currently collaborating with the Human Resource Directorate to reconcile staff data across all systems and ensure consistent, up-to-date records. Additionally, the County is institutionalizing regular staff verification exercises to strengthen accountability and eliminate discrepancies between payroll records and actual staff in service. These actions are in line with Section 148 of the Public Finance Management Act, 2012, and are intended to safeguard public resources while promoting transparency and workforce integrity. Attached are copies of appointment letters for the mentioned officers [See Annex 15](#)

SUMMARY

NO	DETAILS	NUMBER
1	TRANSFER OF SERVICE PENDING CLEARANCE	14
2	CONTRACT EXPIRED	17
3	DECEASED PENDING CLEARANCE	10
4	RESIGNED PENDING CLEARANCE	6
5	RETIRED PENDING CLEARANCE	38
	TOTAL	85

Committee Observations

During its deliberations, the Committee observed, THAT:

1. A comparison of staff lists submitted by various Chief Officers with the IPPD and manual payroll registers revealed eighty-five (85) employees who appeared in the payroll records but were not included in the departmental lists.
2. This discrepancy indicates that payroll data is incomplete and potentially inaccurate, creating a risk of ghost workers being paid.
3. The failure to reconcile and certify payroll records contravenes Regulation 120(3) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to verify and certify payroll correctness on a monthly basis.

Committee Recommendations

Following its review of the matter, the Committee recommends, THAT:

- 1. The Accounting Officer in charge of Public Service, County Administration, and Participation and Development must ensure that all payroll records are fully reconciled with departmental staff lists on a monthly basis to prevent payments to ghost workers.**
- 2. The Accounting Officer should institutionalize regular staff verification exercises and establish robust documentation procedures to maintain consistent, up-to-date, and auditable payroll records.**
- 3. The matter is unresolved.**

4.13 Rent in Arrears

Review of payroll record for June, 2025 revealed that five employees were in rental arrears amounting to Kshs.298,800. Management has not provided reasons why rent was not deducted on monthly basis leading to rent arrears. Additionally, the Internal Audit unit in its report on 7 March, 2024, reported that there were county employees deducted less amount of rent than the market rate. Further, other staff occupied county houses and were still earning house allowances yet rent was not deducted from their monthly earnings. Management has not provided responses to the issue, and no evidence of the action taken to recover the uncollected rent have been provided.

In the circumstances, the County lost revenue from inefficient charge and collection of rental income.

Management Response

The rent deduction notices for the said officers were sent for rent deduction and recovery after the officers had occupied the houses for a number of months occasioning delay in recovery. However, upon receipt of the deduction notice, we immediately instituted deductions for monthly rent and recover of arrears. See Annex 16

Committee Observations

1. That five employees were in rental arrears amounting to Kshs.298,800 and the Management failed to provide reasons why rent was not deducted on monthly basis leading to rent arrears.
2. That the Internal Audit unit in its report on 7 March, 2024, reported that there were County employees deducted less amount of rent than the market rate.

3. That other staff occupied County houses and were still earning house allowances yet rent was not deducted from their monthly earnings. The Management failed to provide to the Auditors, responses to the issue, and no evidence of the action taken to recover the uncollected rent was provided.
4. That the management therefore failed to adhere to Regulation 120(3) of the Public Finance Management (County Governments) Regulations 2015 that requires the accounting officer to certify the correctness of the payroll at least once every month

Committee Recommendations

1. That the Accounting Officer immediately take disciplinary action against the responsible payroll officer(s) for failure to enforce rent deductions and ensure accountability within the payroll management process
2. That the Accounting Officer institute immediate recovery measures for all outstanding rent arrears from the affected employees.
3. That henceforth, the Accounting Officer must ensure that rent for all County houses is deducted at source on a monthly basis through the payroll system to prevent further accumulation of arrears.
4. That the Accounting Officer put appropriate measures to align rent charged on County houses to the prevailing market rates and ensure full compliance by all occupying staff.
5. That the Accounting Officer immediately stop the payment of house allowance to staff occupying County houses and ensure appropriate adjustments and recoveries are effected where applicable.
6. That the Auditor General to report on the progress on this matter in the subsequent audit
7. That the matter is not resolved

4.14 Non-Adherence to Maximum Ceiling of 7% on Approved Expenditure on County Assembly

Examination of approved budget for County Executive revealed that the County Assembly was allocated Kshs.1,108,619,656 for both recurrent and development expenditure. The total revenue of the County was Kshs.9,080,593,167. Review of the County Revenue Fund statement of financial performance for the year ended 30 June, 2025 shows transfer to County Assembly an amount of Kshs.1,055,601,131. However, this amount exceeded the ceiling of Kshs.635,641,522 by Kshs.419,959,609. This expenditure/ allocation amounts to approximately 12% of the total revenue contrary to regulation 25 (1)(f) of the Public Finance Management (County Governments), Regulations 2015 which sets the funding to County Assembly at a maximum of 7% of the total revenues of the County Government.

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

Management Response

We acknowledge the audit observation on non-adherence to the 7% ceiling on County Assembly expenditure as provided under Regulation 25(1)(f) of the PFM (County Government) Regulations, 2015. The County Executive has been guided by the approved budget and County Allocation of Revenue Act (CARA) in effecting transfers, which led to the noted variance. We have taken note of the recommendation and commit to aligning future allocations and disbursements strictly with the PFM Act and Regulations, while enhancing internal review mechanisms during budget formulation and approval to ensure full compliance with fiscal responsibility principles. Additionally, The county treasury will ensure strict adherence to the 7% ceiling as per the PFM provisions during future budget preparations. In addition, the CECM for Finance is engaging the Assembly leadership regarding the observation for a way forward.

Committee Observation

That the management failed to adhere to Regulation 25 (1)(f) of the Public Finance Management (County Governments), Regulations 2015 which sets the funding to County Assembly at a maximum of 7% of the total revenues of the County Government.

Committee Recommendations

- 1. That in future, the management must adhere to Regulation 25 (1)(f) of the Public Finance Management (County Governments), Regulations 2015 which sets the funding to County Assembly at a maximum of 7% of the total revenues of the County Government.**
- 2. That the matter is resolved**

4.15 Unsupported Wages Paid to Kisumu All Stars and City Casuals

Review of manual payroll revealed that during the year under review, wages amounting to Kshs.13,262,579 and Kshs.10,586,238 was paid to City Casuals and Kisumu All Stars football club respectively. Regularity of payment to these temporary staff could not be confirmed because of the following;

- i. Approved staff establishment showing deficiency of staff to be filled by temporary employees and formal request by the user departments to engage temporary employees have not been provided for audit review.
- ii. Evidence of authorization by the County Public Services Board to the departments to recruit temporary employees have not been provided for audit review.

- iii. Records in respect of how temporary employees were hired, the work for which they were hired for, criteria for their recruitment, terms and conditions of services were not provided for audit review.
- iv. Master rolls showing attendance of the temporary workers were not provided for audit. The existence of the temporary employees and their workstations could therefore not be established.

In the circumstances, the existence of effective controls in the manual payroll could not be confirmed.

Management Response

During the period under review, the county recruited support staff (Kisumu all-stars players) under department of sports, culture, gender and youth affairs. The officers were on a fixed term contract. See Annex 17 (i)

The officers' job descriptions and conditions of contracts were highlighted in the respective job description manual.

The city casuals were appointed as support staff on fixed term contract with clear job descriptions and conditions of engagement. See Annex 17 (ii)

Committee Observation

That wages amounting to Kshs. 23,848,817 paid to City Casuals and Kisumu All Stars football club were not supported by essential documentation, including approved staff establishment, authorization by the County Public Service Board, recruitment records, and attendance registers. As a result, the regularity of engagement, existence of the employees, and the work performed could not be confirmed, indicating significant weaknesses in internal controls within the manual payroll system

Committee Recommendations

- 1. That in future, the Accounting Officer should enforce strict budgetary discipline and ensure that recruitment of staff is properly planned, justified, and aligned to the approved staff establishment and budget provisions. Further, all engagements of temporary staff must comply with laid-down procedures and be supported by requisite approvals and documentation.**
- 2. That the matter is resolved**

4.16 Non-Compliance with Law on Fiscal Responsibility Principle on Wage Bill

The statement of financial performance and as disclosed in Note 20 to the financial statements reflects payments totalling Kshs.5,748,210,378 in respect of compensation of employees. The amount represents approximately 63% of the total revenue of Kshs.9,080,593,167, which was 28 percentage points over and above the allowed ceiling of 35%. This was contrary to Regulation 25(1)(a) and (b) on fiscal responsibility principles.

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

Management Response

This was largely driven by persistent shortfalls in own-source revenue, which significantly reduced the overall revenue base and consequently inflated the wage-to-revenue ratio, despite personnel expenditures remaining relatively stable. To address this challenge, the County has intensified efforts to enhance revenue collection through automation of revenue streams, expansion of the revenue base, and strengthened compliance and enforcement measures. In addition, the County is undertaking a comprehensive staff audit to inform rationalization efforts and ensure that personnel costs align with the approved staff establishment and budgetary ceilings.

Committee Observation

That expenditure on compensation of employees amounting to Kshs. 5,748,210,378 represented 63% of the total revenue of Kshs. 9,080,593,167, exceeding the prescribed ceiling of 35% by 28 percentage points, contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015

Committee Recommendations

- 1. That the Accounting Officer should enforce strict adherence to fiscal responsibility principles by ensuring that expenditure on compensation of employees is progressively reduced and maintained within the statutory limit of 35% of total revenue.**
- 2. That the matter is unresolved**

4.17 Remittance of Statutory Deductions

The statement of financial position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs.5,838,359,852 in respect of Employees Benefits Obligations.

4.17.1 Unremitted Retirement Benefits Contributions to the National Social Security Fund (NSSF)

The statement of financial position reflects a balance of Kshs.5,838,359,852 in respect of employees benefits obligations and as disclosed in Note 20 to the financial statements. However, this amount includes Kshs.5,075,728,885 in respect of unremitted contributions to the National Social Security Fund (NSSF) comprising of outstanding balance of Kshs.4,808,421,118, penalties of Kshs.256,259,007 and May and June, 2025 NSSF contributions of Kshs.11,048,760 had not been paid

This is contrary to Section 27(1) of the National Social Security Fund Act, 2013 which states that if any contribution for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period to which it falls, a sum equal to five per cent of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid, and any such additional amount shall be recoverable at the same time and in the same manner as the contribution to which it is added.

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

Management Response

The legacy NSSF debt inherited from the defunct Municipal Council of Kisumu was previously settled through debt-swap arrangements. However, following the 2023 directive mandating universal NSSF contributions, the County's current outstanding obligation stands at Kshs. 37,981,689.50 The amount reported in the Financial Statements were unverified an unreconciled, a prior year adjustment will be effected in accordance with the Public Finance Management (PFM) Act 2012 to ensure accuracy. The current demand letter from NSSF is hereby attached. Annex 19.2.

Committee Observation

The Committee noted that a substantial portion of employees' benefits obligations amounting to Kshs.5,075,728,885 relates to unremitted NSSF contributions, which exposes the County to significant financial liabilities due to accrued penalties.

Committee Recommendations

- 1. That the Accounting Officer should, within three (3) months upon adoption of this report, liaise with the National Social Security Fund (NSSF) to reconcile the outstanding balances and submit a comprehensive reconciliation report to the Committee.**
- 2. That the County Treasury should prioritize the settlement of the outstanding NSSF contributions and develop a structured payment plan to clear the arrears and penalties. That the Auditor General to report on the progress in the subsequent financial year**
- 3. That the Accounting Officer must ensure that all future statutory deductions are remitted within the timelines prescribed by law to avoid further penalties**
- 4. That the matter is unresolved**

4.18 Nugatory Legal Costs paid to an Advocate

Note 8 to the financial statements includes other operating expenses of Kshs.163,703,661 out of which Kshs.5,000,000, was paid to an advocate. The payment was legal dues for certified amount of debt, interests, retention and costs for the case between the County Government of Kisumu vs a construction company. The court made a decree in favour of the contractor for undertaking construction of a hawkers' market (Maendeleo Market) but the payment certificates were not fully honored prompting the contractor to move to court. According to the court decree, the final payment certificate amount was Kshs.5,260,020. Other claims to be paid were; interest on payment certificate, full payment of retention amount, Interest of retention amount, and general damages totaling Kshs.21,016,710.

Review of the court ruling confirms that the County will eventually spend more than Kshs.20,000,000 in nugatory costs which the County should have avoided by complying with the contract agreements and terms of reference.

In the circumstances, high legal costs were incurred as a result of poor contract management and conflict resolution by the County Executive and value for money may not have been realized.

Management Response

The debt emanated from unpaid Certificate on Contract no MCK/LASDAP/T/41/2012/13 & Tender no. MCK/LASDAP/41/2012012 of the defunct municipal council of Kisumu. With no payment forthcoming after presentation of payment Certificate, the contractor moved to court in 2019, vide KSM/CMCX/226/2018 to enforce the terms of clause 23 of the contract (Extract attached). The matter was fully defended by the County including up to the judicial review stage

(Attached evidence). The court subsequently delivered judgement on 30/11/2023 in favor of the contractor. (Attached find decree). The decree has since been fully settled and the file closed. See Annex 20

Committee Observation

That the County Government incurred avoidable legal costs exceeding Kshs. 20,000,000 arising from failure to honor contractual obligations related to the construction of Maendeleo Market, which resulted in litigation and a court award in favor of the contractor.

Committee Recommendations

- 1. That in future, the Accounting Officer should ensure strict adherence to contract terms, including timely settlement of certified payments, to avoid litigation and associated costs. Further, the County should strengthen contract management and dispute resolution frameworks, and take appropriate disciplinary action against officers responsible for the lapses that led to the incurrence of nugatory expenditure.**
- 2. That the matter is unresolved**

4.19 Expenses Incurred on Behalf of Self - Reporting Projects Instead of Direct Transfer

Note 9 to the financial statements reflects transfers to other government entities of Kshs.565,341,363. Included in the amount is Kshs.206,585,822 being payments related to the City of Kisumu and Kshs.29,923,120 made on behalf of Lakefront Development Corporation. Audit review revealed that the County incurred direct payments on behalf of self – reporting entities instead of transferring all the funds to the entities account. This was contrary to Regulation 83.(1) of Public Finance Management (County Government) Regulations 2015, which states the County Treasury shall be responsible for establishing sound cash management systems, procedures and processes, to ensure efficient and effective banking and cash management practices. (2) For purposes of this regulation, sound cash management includes—(a) assessing the cash inflows and outflows expected at any one time; (b) ensuring payments, including transfers to other levels of government and county-government entities are made when due for efficient, effective and economical programme delivery and the county government’s normal terms for account.

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

Management Response

The County Government notes the audit observation on expenses incurred on behalf of self-reporting projects. During the year under review, the City of Kisumu had not yet opened and operationalized its CBK accounts, necessitating the County Treasury to process direct payments on its behalf to avoid service delivery disruptions. By the close of the financial year, the City had

established its accounts and is now managing its own transactions through direct exchequer requisitions in compliance with the PFM framework.

The County Treasury therefore continues to provide interim support to ensure continuity of its operations. Measures are underway to strengthen internal controls, enhance compliance with PFM Regulations, and facilitate Lakefront to set up independent structures so that future transfers are affected directly to project accounts, promoting transparency and accountability.

Committee Observation

That as at the time of committee deliberations, the management had not provided documentation to show proof that in the current year the County Government has not incurred expenses on behalf of self-reporting projects.

Committee Recommendations

- 1. That the Accounting Officer immediately provide to the Auditors documentation to show proof that in the current year the County Government has not incurred expenses on behalf of self-reporting projects.**
- 2. That the matter is not resolved**

4.20 Un-surrendered Imprests

The statement of financial position and as disclosed in Note 14(a) to the financial statement reflects receivables from exchange transactions totalling Kshs.35,240,739. Review of the imprest ledgers revealed that imprests were issued to some officers with outstanding imprests not surrendered within the year under review and also, no explanation was provided as to why the imprests remained outstanding as at year end. This is contrary to Regulation 93.(4) of Public Finance Management (County Governments) Regulations 2015, which states that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that (b) the applicant has no outstanding imprests; (5) A holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

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

Management Response

The outstanding imprests at time of the audit was kshs. 35,240,739 however, the county has recovered imprest totalling to Kshs. 15,415,822 through surrenders and a balance of Kshs 19,824,917. The balance comprises Kshs. 10,868,688 due for deduction as from February 2026 and unrecoverable amount totalling kshs. 8,956,229.45

The surrender documents have been availed to the auditors for verification. The county has initiated a loss write-off procedure as per Section 150 (2) of the PFM Act 2012 and PFM County Regulation Sec 141(6) to deal with the unrecoverable balance of Kshs. 8,956,229.45

The County Treasury has strengthened controls to ensure prompt recovery, full compliance and safeguarding of public funds. See Annex 22

Committee Observations

1. That review of the imprest ledgers by the Auditor General revealed that imprests were issued to some officers with outstanding imprests not surrendered within the year under review and also, no explanation was provided as to why the imprests remained outstanding as at year end. This is contrary to Regulation 93(4) of Public Finance Management (County Governments) Regulations 2015
2. That as at the time of committee deliberations, the Management had not provided evidence of surrendered imprest after the close of the financial year

Committee Recommendations

1. **That the Accounting Officer should ensure that all outstanding imprests are surrendered immediately and in strict compliance with Regulation 93(4) of the Public Finance Management (County Governments) Regulations, 2015. Further, any officer who fails to surrender imprest within the stipulated timelines should be surcharged and subjected to appropriate disciplinary action in accordance with the applicable laws and regulations.**
2. **That the matter is unresolved**

4.21 Failure to Update the Assets Register

Included in the statement of financial position is property, plant, and equipment with an opening balance as at 1 July, 2024 amounting to Kshs.1,134,368,973, representing historical cost assets which were excluded from Note 15 of the current year's financial statements. During the year under audit, newly acquired assets amounted to Kshs.393,322,516. However, management failed to provide an updated asset register, which was also not prepared in accordance with the prescribed National Treasury Circular No. 23 of 2020. The asset register lacked key information such as tag number, make and model, original location, current location, purchase amount, depreciation rate, annual depreciation, accumulated depreciation, net book value, responsible officer, and asset condition. It was therefore not possible to confirm the existence, ownership, and value of assets owned by the Kisumu County Executive. Additionally, it was not possible to establish the location of the assets and the individual staff members to whom the assets were assigned. This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. It is also contrary

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to Circular No. 23 of 2020 on the Preparation of Assets and Liabilities Registers in the Public Sector issued in July, 2020 by the National Treasury and Planning.
In the circumstances, Management was in breach of the law.

Management Response

The Asset register is available and has been provided to auditors for review. The county has put mechanism in place to ensure progressive updating of the register. See Annex 23

Committee Observations

1. That the management failed to provide an updated asset register, which was also not prepared in accordance with the prescribed National Treasury Circular No. 23 of 2020.
2. That the asset register lacked key information such as tag number, make and model, original location, current location, purchase amount, depreciation rate, annual depreciation, accumulated depreciation, net book value, responsible officer, and asset condition.
3. That it was therefore not possible for the Auditors to confirm the existence, ownership, and value of assets owned by the Kisumu County Executive and to establish the location of the assets and the individual staff members to whom the assets were assigned

Committee Recommendations

1. **That in future, the management must adhere to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws and Circular No. 23 of 2020 on the Preparation of Assets and Liabilities Registers in the Public Sector issued in July, 2020 by the National Treasury and Planning.**
2. **That the Auditor General to report on the progress on the matter in the subsequent audit**
3. **That the matter is unresolved**

4.22 Failure to Provide Title Deed for a Piece of Land at Kibos, Kisumu County

Included in the property, plant and equipment balance is an amount of Kshs.19,000,000 paid for acquisition of 10 acres piece of land at Kibos area valued at Kshs.22,000,000. The contract agreement was between Tropical Institute of Community Health Development Trust Registered Trustees and County Government of Kisumu dated 28 June, 2024. According to the contract agreement, the payment completion date was 90 days from the date of agreement. As at the time

of audit, Management had not completed the balance of payment contrary to the terms of agreement specified in the contract.

In addition, the title deed was not provided for audit to confirm ownership rights even though the sale agreement and contract agreement were available during audit.

In the circumstances, it was not possible to confirm ownership rights and completeness of the title deed transfer casting doubt on the right ownership of the land.

Management Response

As at the time of audit, the County Government of Kisumu had not collected the certificate of Lease. We confirm that a payment of Ksh 12,000,000 was made on 7th January 2025 as the final payment. A copy of the lease certificate is hereby attached. See Annex 24

Committee Observation

That as at the time of committee deliberations, the title deed had been provided both to the committee and the Auditors

Committee Recommendation

That the matter is resolved

4.23 Poor Workmanship on Pap Konam Agricultural Training Centre Phase I Project

The statement of financial position and as disclosed in the financial statements reflect property, plant, and equipment totaling Kshs.393,322,516. The reported balance represents additions made during the year, excluding historical assets. Included in the PPE is a building component amounting to Kshs.180,267,675, as disclosed in Note 15 of the financial statements. The amount includes the proposed completion of the Pap Konam Agricultural Training Centre Phase I project, which was awarded to a local firm at a contract sum of Kshs.9,976,826, of which Kshs.8,485,449 was paid on 10 July, 2025. However, a site visit conducted on 29 September, 2025 revealed visible cracks in the two lecture halls, and sections of the soft board ceiling had started to wear out and detach from the roof, posing a risk of falling. Management explained that the project manager had instructed the contractor, through a letter dated 17 August, 2025, to attend to the defects, failure to which the contractor would forfeit the retention funds since the defect liability period had not expired.

In the circumstances, value for money on the expenditure may not be realised.

Management Response

The county acknowledges the auditor's observations on the quality of work at Pap Konam Agricultural Training College. The defects were noted and the contractor instructed to take corrective action, which has since been effected. The engineer's certificate of correction and the inspection and acceptance committee report is hereby attached. The has not release retention money until the defect liability period is over and no further defects noted. See Annex 25(i) & 25(ii)

Committee Observations

1. That the Pap Konam Agricultural Training Centre Phase I Project was awarded at a contract sum of Kshs.9,976,826, out of which Kshs.8,485,449 had been paid as at 10 July 2025. A site visit conducted by the Auditors, on 29 September 2025 revealed defects in the completed works, including visible cracks in the walls of the two lecture halls and sections of the soft board ceiling detaching from the roof, which posed a potential safety risk.
2. That the Management noted the defects and instructed the contractor to take corrective action, which has since been effected.
3. That at the time of Committee deliberations the engineer's certificate of correction and the inspection and acceptance committee report had already been adduced to the Auditors

Committee Recommendations

Following its consideration of the matter, the Committee recommends the following, THAT:

- 1. The Accounting Officer should ensure that all public projects are executed in strict adherence to approved technical specifications, standards, and contractual terms to guarantee quality workmanship and value for money.**
- 2. The Accounting Officer should strengthen project supervision by ensuring that qualified technical officers undertake continuous monitoring and periodic inspections at all stages of project implementation.**
- 3. In future, all projects must undergo thorough inspection and certification by the Inspection and Acceptance Committee before payments are processed to confirm that works completed meet the required standards.**
- 4. The matter is unresolved.**

4.24. Projects not Implemented by Contractors/Suppliers by the Department of Health

In the year of audit, it was noted a number of projects were procured from the department of health and awarded to different contractors and suppliers valued at Kshs.13,930,508. However, the audit confirmed that the projects were not implemented because either the contractors or suppliers failed to report on site or suppliers delivered equipment that did not meet the user specifications leading to rejection by the Inspection and Acceptance Committee. The following are the observations:

- i. Construction of Staff Quarters at Oriang Dispensary - Management awarded a contract to a company valued at Kshs.2,198,870. The contract agreement was signed on 24 February, 2025. However, the audit revealed that the technical evaluation committee recommended the contractor despite the serialized bid not being responsive as the key mandatory documents used were for the competing bidder; CR12, NCA and tax compliance certificate. Additionally, no previous work experience was provided such as LPOs and award letters. In the circumstances, it was unclear how an unqualified contractor was awarded the contract.

Management Response

The procurement for the construction of staff quarters at Oriang Dispensary was conducted transparently through the IFMIS e-procurement system (Negotiation No. 1234), where all mandatory documents—including CR12, NCA registration, and tax compliance were duly attached by bidders and evaluated in line with the PPADA, 2015. The contract was awarded to Shamim General Traders Ltd as the lowest evaluated responsive bidder. Additionally, we have granted IFMIS access to the auditors for verification and review all relevant procurement records and documents.

Committee Observation

That documents provided during audit were on file and therefore annex 26 lacks the supporting documents for audit verification.

Committee Recommendations

Following its consideration of the matter, the Committee recommends the following, THAT:

- 1. The Accounting Officer should ensure that all procurement records, including bid documents, evaluation reports, and supporting statutory documents, are properly filed, maintained, and made readily available for audit verification in compliance with the Public Procurement and Asset Disposal Act, 2015.**
 - 2. In future, the Tender Evaluation Committee should strictly adhere to the evaluation criteria and ensure that only bidders who fully meet all mandatory requirements and provide complete documentation are considered for award of contracts.**
 - 3. That the matter is unresolved**
- ii. Construction of Mortuary Phase 1 Muhoroni- A contract agreement was signed on 7 April, 2025 between a company and County Government of Kisumu at a contract sum of Kshs.3,995,640. During audit, it was confirmed that the contractor had abandoned the site and Management was in the process of terminating the contract though, the project implementation status report indicates that 30% of work had been done. The audit could not confirm since the certificate of

measured works was not provided for audit. In the circumstances, delay in project execution deny the public from benefiting from the anticipated services. In the circumstances, delay in supply of the machine denies the public from getting needed health services and value for money on the expenditure may not have been realised.

Management Response

The project manager did a default notice to the contractor and when the contractor failed to report back to the site, the contract measured works were done by the project manager who then recommended for the termination of the contract. The contract was terminated

To safeguard public interest and ensure continuity, the project has been rolled over to the 2025/2026 financial year budget for re-procurement, thereby guaranteeing that citizens' need for Mortuary services will be addressed without undue delay. The approved budget for FY 25-26 is available for review. The procurement process has been initiated and it was been floated to suppliers on 12th January 2026 and awaiting opening on 22nd day of January 2026. See attached Annex 26 (i) certificate of measured work.

Committee Observation

That no documentation was availed to demonstrate that a re-procurement process was undertaken, including evidence of a tender advertisement or inclusion of the item in an approved Annual Procurement Plan.

Committee Recommendations

- 1. That the Accounting Officer provide evidence of re-procurement to the Auditor General. The Auditor General to follow up and report on the same in the subsequent audit**
 - 2. That the matter is unresolved**
- iii. Completion and Equipping of Theatre at Gita- A contract agreement was signed on 7 February, 2025 between County Government of Kisumu and a company. The audit confirmed that on 2 May, 2025, the Inspection and Acceptance Committee rejected the anaesthetic machine since it did not meet the required specifications provided in the tender document. However, management did not explain measures taken to terminate the contract or provide letter from the supplier accepting to replace the machine with the correct specifications.

Management Response

The Completion and Equipping of Theatre at Gita was awarded to Joscom Company Limited. at a contract sum of Kshs.3,998,000 through an agreement signed on 27th February 2025; however, the contractor failed to meet contractual obligations by supplying a Machine which did not meet the specifications that were in the tender document

Communication was done to the supplier on the rejection and the supplier responded through an email indicating that he will not be able to replace the machine and suggested that the contract be terminated. The department terminated the contract in line with the Public Procurement and Asset Disposal Act, 2015. The project was terminated on 27TH OCTOBER 2025. ANNEX.....26(ii)

To safeguard public interest and ensure continuity, the project has been rolled over to the 2025/2026 financial year budget for re-procurement, thereby guaranteeing that citizens' need for anesthetic services will be addressed without undue delay. The approved budget for FY 25-26 is available for review. The procurement process has been initiated, it was floated to suppliers on 12th January 2026 and awaiting opening on 22nd day of January 2026.

Committee Observations

1. That as at the time of committee deliberations, the Management had not provided evidence to confirm that the machine was collected by the supplier as previously indicated.
2. That no documentation was availed to demonstrate that a re-procurement process was undertaken, including evidence of a tender advertisement or inclusion of the item in an approved Annual Procurement Plan.

Committee Recommendations

1. **That the Accounting Officer provide evidence of collection of the machine by the supplier and re-procurement to the Auditor General within a period of 21days upon adoption of this report**
2. **That the matter is unresolved**

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

5.1 Employee Benefit Obligations-Unremitted Statutory Deductions

Review of pension documents provided for audit revealed that the County Executive owed an amount of Kshs.611,244,643 to four pension funds which comprise of principle outstanding contributions amounting to Kshs.135,956,307, interest amount of Kshs.419,476,604 and arrears of Kshs.1,582,854. Failure to remit statutory deductions is in contravention of Section 19(4) of the Employment Act, Cap 226, which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act 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.

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

Management Response

The amount owed to four pension funds totaling Kshs.611,244,643 which comprising of principle outstanding contributions amounting to Kshs.135,956,307, interest amount of Kshs.419,476,604 and arrears of Kshs.1,582,854 were mainly due to the defunct municipal councils.

The Management has engaged the pension funds with a view of considering waiver for the pension penalties and interest that accrued from the defunct municipal councils.

In addition, the County Government assures that deliberate measures have been instituted to strengthen its liquidity position and ensure full compliance with statutory deadlines to avoid penalties and interest. These include: Enhancement of Own Source Revenue mobilization strategies; Implementation of a cash flow management framework to prioritize remittance of statutory deductions; and Adoption of an automated payroll and remittance monitoring system under HRIS-K integration. Management remains committed to full compliance with legal requirements moving forward. See Annex 19.1

5.2 Lack of Annual Recruitment Plans

The County Government of Kisumu recruited two hundred and one (201) officers during the financial year 2024/2025. However, a review of the recruitment process revealed that the respective departments did not have approved annual recruitment plans to guide the hiring process. In addition, no evidence was provided to demonstrate that budgetary approval or funding

confirmation was sought or obtained prior to the recruitment. This indicates a lack of adherence to proper planning and budgeting procedures.

As a result, the effectiveness of internal controls in human resource management could not be verified.

Management Response

The County acknowledge the auditors observation on the lack of staff recruitment plan. However, the county identified staffing gaps from the concerned departments through cabinet approval of departmental requests. Additionally, the county is in the initial stage of developing staff recruitment plan. The budget for the newly recruited officers was approved as component of Personal Emolument (PE) in the year under review.

Moving forward, all recruitments will be aligned to the approved staff establishment and recruitment plan (under development), with prior confirmation of budgetary availability as required under Section 59(1)(g) of the County Governments Act.

Committee Observations

1. That the County Government of Kisumu recruited two hundred and one (201) officers during the financial year 2024/2025. However, a review of the recruitment process by the Auditor General revealed that the respective departments did not have approved annual recruitment plans to guide the hiring process.
2. That no evidence was provided to demonstrate that budgetary approval or funding confirmation was sought or obtained prior to the recruitment.

Committee Recommendations

- 1. That the County Public Service Board, in collaboration with the respective Chief Officers, to expedite the development and approval of the annual recruitment plan and ensure that it is finalized before the end of the current financial year.**
- 2. That in future, the County Executive should ensure that all recruitments are undertaken only after confirmation of budgetary availability to ensure compliance with proper planning and budgeting procedures.**
- 3. That the matter is not resolved**

5.3 Understaffing of Internal Audit Department

Review of the approved staff establishment for the internal audit department indicated that the unit is supposed to have seventeen (17) officers headed by the Director of internal audit who is in charge of the department. However, the Department currently has six officers and one

administrative staff. Shortage of staff in the department may result to reduced oversight and internal control weaknesses may not to be identified and addressed promptly, leading to fraud and wastage.

In the circumstances, the effectiveness of the Kisumu County executive internal controls, risk management and overall governance could not be confirmed.

Management Response

The County acknowledges the shortfall in the internal audit department and wish to state that the following efforts are being made by the management to enhance internal audit capacity;

- 1. Re-designation of two qualified staff already identified*
- 2. Head hunting from other departments*
- 3. External recruitments*
- 4. Acquisition of audit software or tools (Teammate)*

Management believes that these measures will enhance staff capacity and strengthen the effectiveness of the Internal Audit function. See Annex 27

Committee Observations

1. That the approved establishment of the Internal Audit Department provides for seventeen (17) officers headed by a Director of Internal Audit.
2. That the department currently operates with only six officers and one administrative staff, representing a significant staffing shortfall.
3. That the management's response indicated that measures are being undertaken to strengthen the department, including re-designation of qualified staff, head-hunting from other departments, external recruitment, and the acquisition of audit software (Teammate).

Committee Recommendations

- 1. That the County Public Service Board should expedite the recruitment of qualified internal audit staff to fill the existing vacancies in the Internal Audit Department in line with the approved staff establishment.**
- 2. That the County Executive Committee member, Finance, Economic Planning and ICT should ensure that the Internal Audit Department is adequately resourced, including provision of appropriate audit tools and software, to enhance efficiency and effectiveness in executing its mandate.**
- 3. That the Auditor General follow up on the implementation of the above measures and report on the status in the subsequent audit**
- 4. That the matter is not addressed**

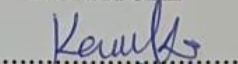

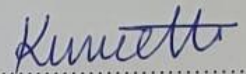



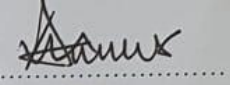
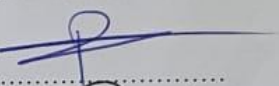
6.0 CONCLUSION

Hon. Speaker,

I hereby request that this House adopts this report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements of the Kisumu County Executive for the financial year 2024/2025. May I call upon Hon.to second.

ADOPTION SCHEDULE

We, the Hon. Members of the Public Accounts and Investments Committee, having considered the audited financial statements of Kisumu County Executive for the year ended 30, June 2025, hereby append our signatures in affirmation that these are the true deliberations from the Committee.

MEMBER	DESIGNATION	SIGNATURE
1. Hon. Ken Ouko	Chairperson	
2. Hon. Tom Onditi	Vice Chairperson	
3. Hon. Seth Okumu	Member	
4. Hon. Nancy Matara	Member	
5. Hon. James Omollo	Member	
6. Hon. James Were	Member	
7. Hon. Mickey Awuor	Member	
8. Hon. Reuben Rakwach	Member	
9. Hon. Habil Nyasuna	Member	