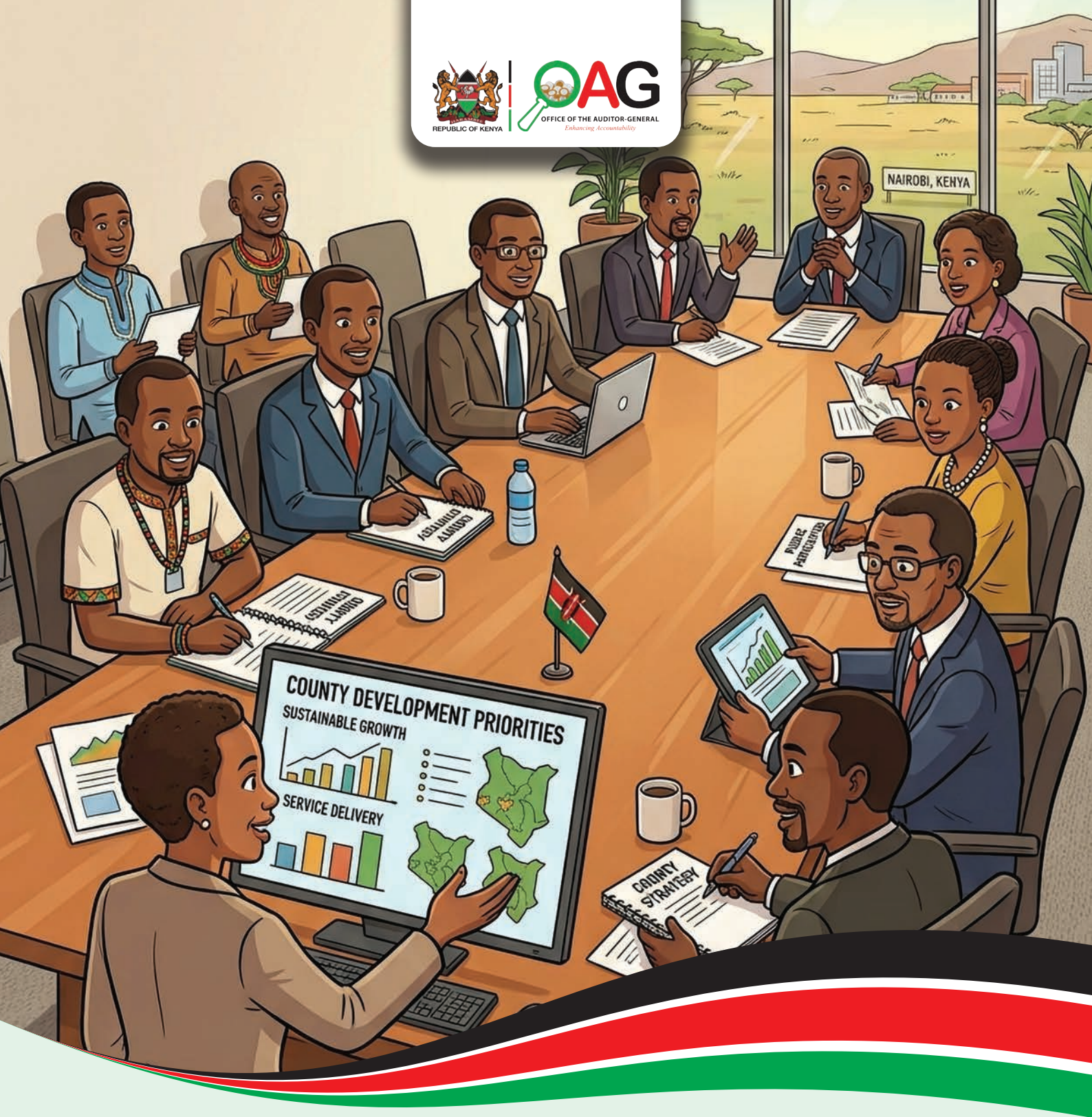
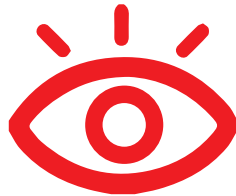




AUDITOR-GENERAL'S POPULAR REPORT ON COUNTY GOVERNMENTS

2024 - 2025



VISION

Making a difference in the lives and livelihoods of the Kenyan people



MISSION

Audit services that impact on effective and sustainable service delivery



OUR CORE VALUES

Integrity • Credibility • Relevance •
Accountability • Independence

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ABBREVIATIONS

CAF	County Assemblies Forum
CRF	County Revenue Fund
FIF	Facility Improvement Fund
FLLoCA	Financing Locally-Led Climate Action
FY	Financial Year
Kshs	Kenya Shillings
LAPFUND	Local Authorities Provident Fund
LAPTRUST	Local Authorities Pension Trust
LPO	Local Purchase Order
LSO	Local Service Order
MP	Member of Parliament
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
PAYE	Pay As You Earn
SHA	Social Health Authority
SOCATT	Society of Clerks at The Table

GLOSSARY OF TERMS

Abandoned Project: A project where public money was spent but intended services were not delivered.

Absorption Rate: The percentage of available funds that are actually spent during a financial year.

Accounts Payable/Pending Bills: Amounts owed by a County Government for goods delivered, works done, or services offered but not yet paid for.

Audit Committee: An independent oversight committee responsible for monitoring financial reporting, internal controls, risk management, and governance processes.

Audit Opinion: A conclusion arrived at by the auditor during the review of the financial statements and financial records.

Budget Allocation: The amount of money approved for use by a government entity during a financial year.

Budget Shortfall: The difference between the amount budgeted and the actual revenue received.

County Assembly: The legislative arm of a County Government responsible for law-making, oversight, and representation. The County Assembly is led by the Speaker.

County Executive: The executive arm of a County Government responsible for implementing policies and managing county operations. The County Executive is led by the Governor.

County Revenue Fund: The central county account into which all county revenues are deposited before expenditure.

Delayed Projects: A project that is taking longer than planned to complete.
Devolved Functions: Functions constitutionally assigned to County Governments.

Dominant Community: The ethnic community that forms the majority population within a county.

Equitable Share Revenue: Constitutionally allocated funds transferred from the National Government to County Governments.

Fiscal Responsibility Principles: Legal requirements intended to promote prudent management of public finances, including limits on expenditure and borrowing.

Governance: The systems, structures, and processes in place to direct, manage, and control a County Government.

Internal Audit Unit: A unit responsible for independently evaluating internal controls, risk management, and governance processes within a County Government.

Internal Controls: Policies and procedures established to ensure effective operations, reliable financial reporting, and compliance with laws and regulations.

Nugatory Expenditure: Unnecessary or wasteful expenditure.

Own-Source Revenue: Revenue generated directly by a County Government through local taxes, fees, charges, and other income sources.

Personnel Emoluments: Compensation paid to employees, including salaries, wages, allowances, pensions, and other benefits.

Public Participation: Involvement of citizens in government decision-making processes.

Revenue Shortfall: The amount by which actual revenue collected falls below the budgeted revenue.

Stalled Project: A project whose implementation has stopped before completion due to financial, technical, administrative, or other challenges.

Statutory Deductions: Amounts legally deducted from employees' salaries and remitted to designated authorities such as Kenya Revenue Authority, Social Health Authority, Pension Authorities, etc.

Unsupported Balances: Amounts reported in financial statements that lack adequate documentation or evidence.

Value for Money: Getting the best services delivered from the money spent.

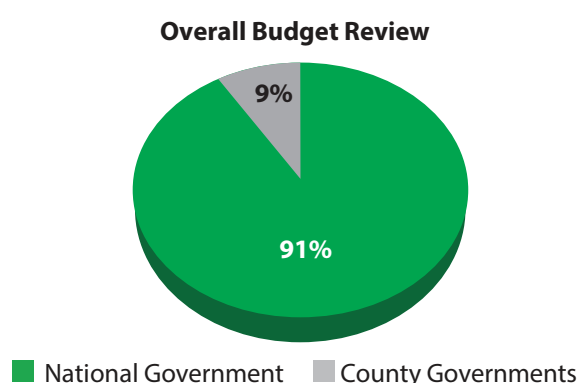
Wage Bill: The total expenditure spent on employee salaries, wages, allowances, and other benefits during a specific period.

Work in Progress: Costs incurred on ongoing projects.

1.0 Key Audit Findings

1.0 Overall Budget Review

In the 2024/2025 financial year, National Approved Estimated Gross Expenditure was Kshs.4,789.96 Billion. The National Government was allocated Kshs.4,371.70 Billion or 91% of the National Expenditure and the County Governments were allocated Kshs.418.26 Billion, which is 9% of the National expenditure.



The County Governments allocation of Kshs.418.26 Billion 2024/2025 rose by 1% to 9% up from 8% during 2023/2024 financial year. The amounts comprised County Governments equitable share revenue of Kshs.400.12 Billion and Exchequer arrears of Kshs.18.14 Billion due in 2023/2024.

The County Governments share of revenue amount of Kshs.400.12 Billion was based on the latest approved audited revenue accounts for the year 2020/2021. However, at the time of the approval of the budget for 2024/2025 in June 2024, the Auditor-General had submitted the audit reports for 2021/2022 and 2022/2023 financial years.

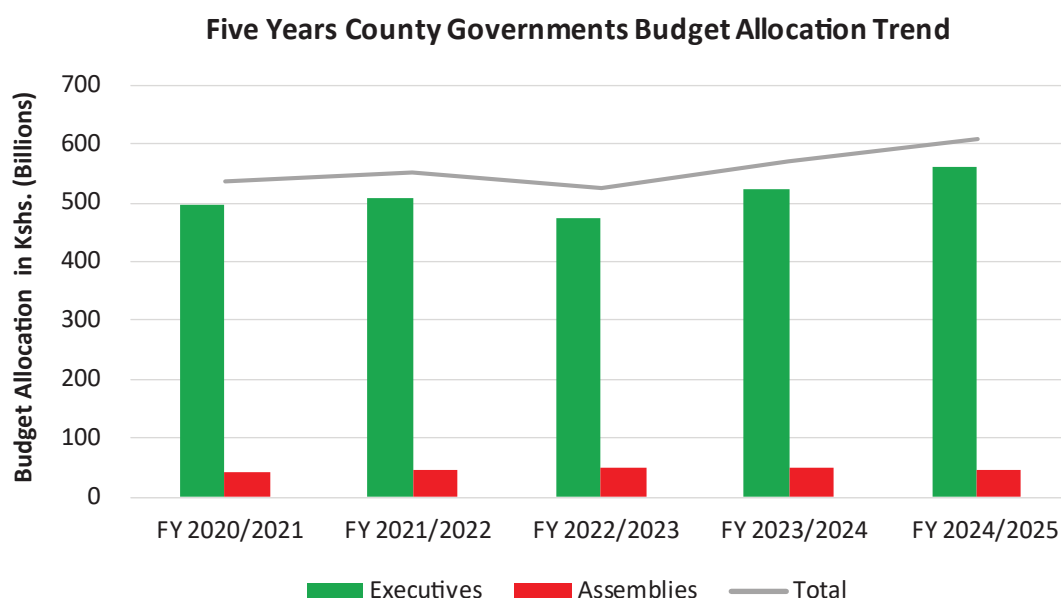


1.1 County Governments Budgets Trends

During the 2024/2025 financial year, the combined budgets of County Governments approved by the County Assemblies amounted to Kshs.607.52 Billion. This comprised Kshs.560.73 Billion for the County Executives and Kshs.46.79 Billion for the County Assemblies.

This represented an overall increase of Kshs.36.22 Billion from the 2023/2024 financial year budget allocation of Kshs.571.30 Billion.

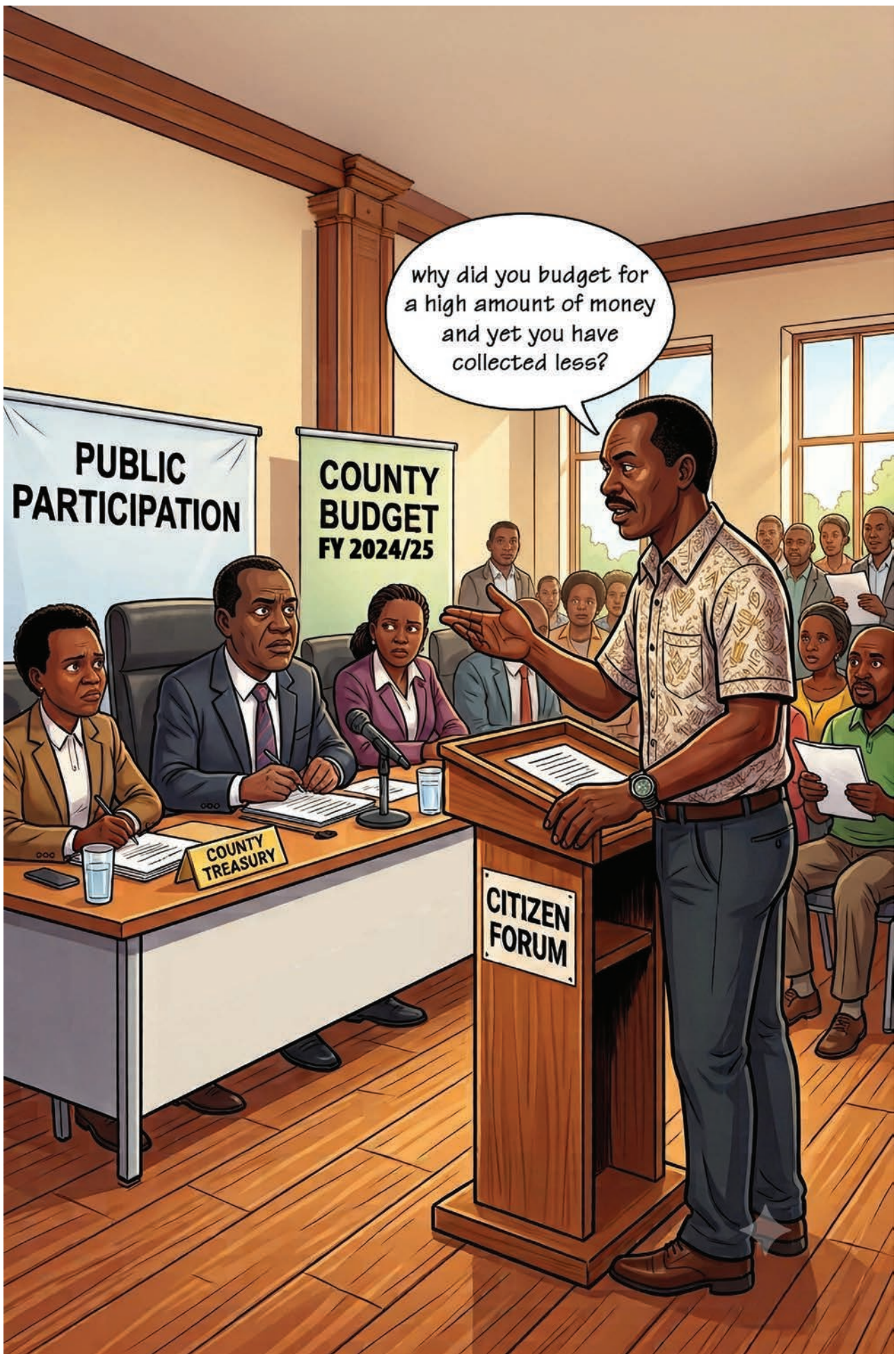
Below is the budget allocations to County Governments over the last 5 years.



1.2 Revenue Budget Performance for County Governments

The approved County Governments' Revenue Budget for 2024/2025 amounted to Kshs.607.52 Billion which comprised Kshs.560.73 Billion or 92% for the County Executives and Kshs.46.79 Billion or 8% for the County Assemblies, which is slightly above the maximum proportion of 7%.

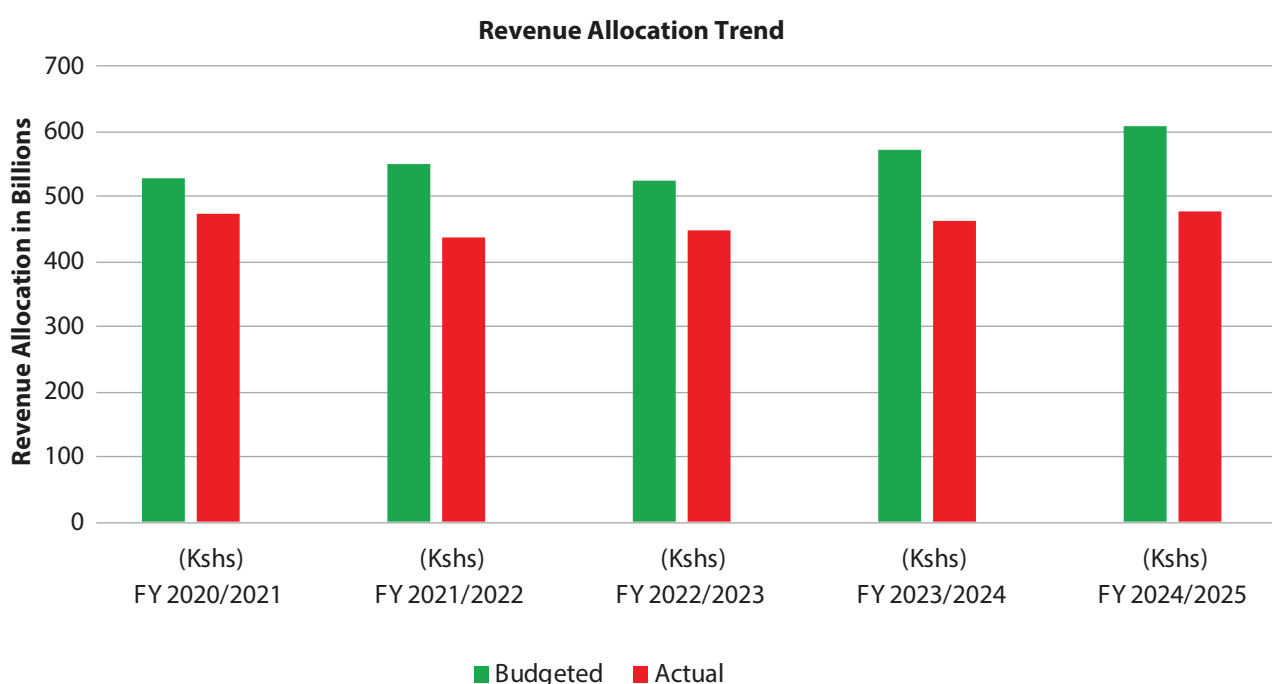
However, the actual revenue disbursements amounted to Kshs.479.59 Billion which comprised Kshs.437.80 Billion for County Executives and Kshs.41.79 Billion for the County Assemblies.



1.3 Own Source Revenue Allocation Trend Analysis

During the financial year 2024/2025, the combined County Governments' budgets approved by the County Assemblies amounted to Kshs.607.52 Billion which was an increase of Kshs.36.22 Billion from the 2023/2024 financial year budget allocation balance of Kshs.571.30Billion.

Below is a trend analysis in revenue allocation for the last 5 financial years as shown below:



During the 2024/2025 financial year, County Governments generated Own-Source Revenue amounting to Kshs.50.60 Billion. Review of performance indicated that, Nairobi City County recorded the highest Own-Source Revenue at Kshs.11.79 Billion, followed by Narok County with Kshs.5.66 Billion. Seven other counties met or exceeded their targets, they included; Tana River at 133%, Kirinyaga at 127%, Wajir at 122%, Samburu at 111%, Tharaka-Nithi at 110%, Elgeyo/Marakwet at 103%, and West Pokot at 100%.

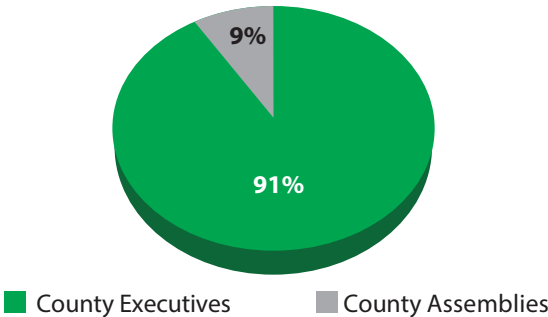
Conversely, 5 counties with the lowest performance were Kisumu at 20%, Kakamega at 25%, Homa Bay at 27%, Baringo at 34%, and Lamu at 36%.



1.4 County Governments Expenditure Analysis

In the year 2024/2025 actual expenditure by the County Executives was Kshs.419.01 Billion and the County Assemblies was Kshs.41.45 Billion as illustrated in the chart below;

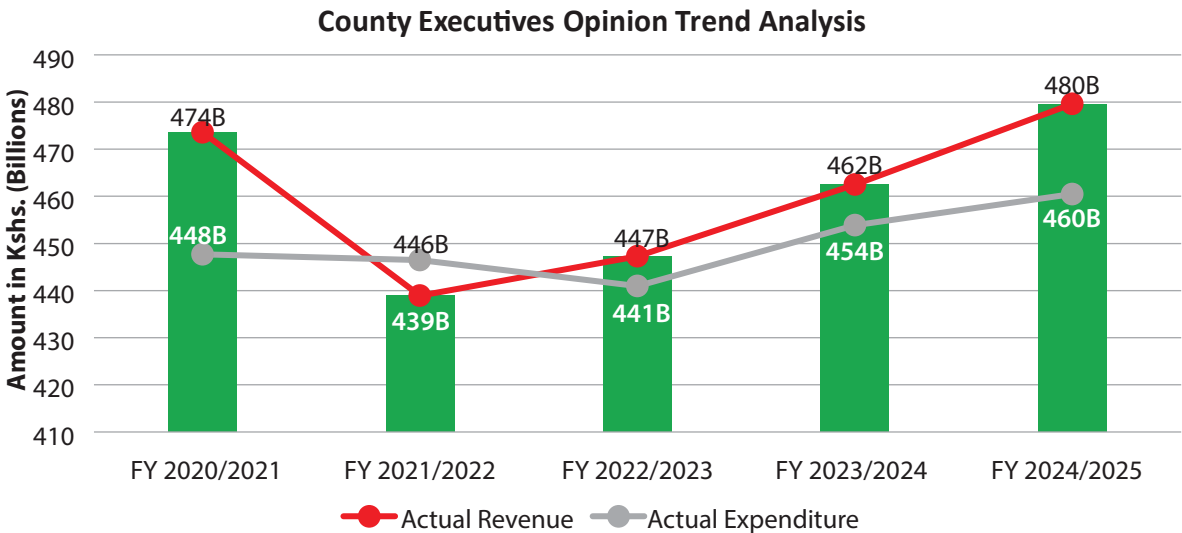
County Executives Vs County Assemblies Expenditure



1.5 Expenditure Trend Analysis

The total expenditure by the County Governments in the 2024/2025 financial year amounted to Kshs.460.46 Billion, translating to an absorption rate of 96% of the total annual County Government actual revenue of **Kshs.479.55 Billion**. This represented a decline compared to 2023/2024, during which an absorption rate of 98% was recorded, with total expenditure of Kshs.453.84 Billion against total annual County Government revenue of Kshs.462.46 Billion.

The following chart illustrates the 5 year trend in expenditure from financial year 2020/2021 to 2024/2025.

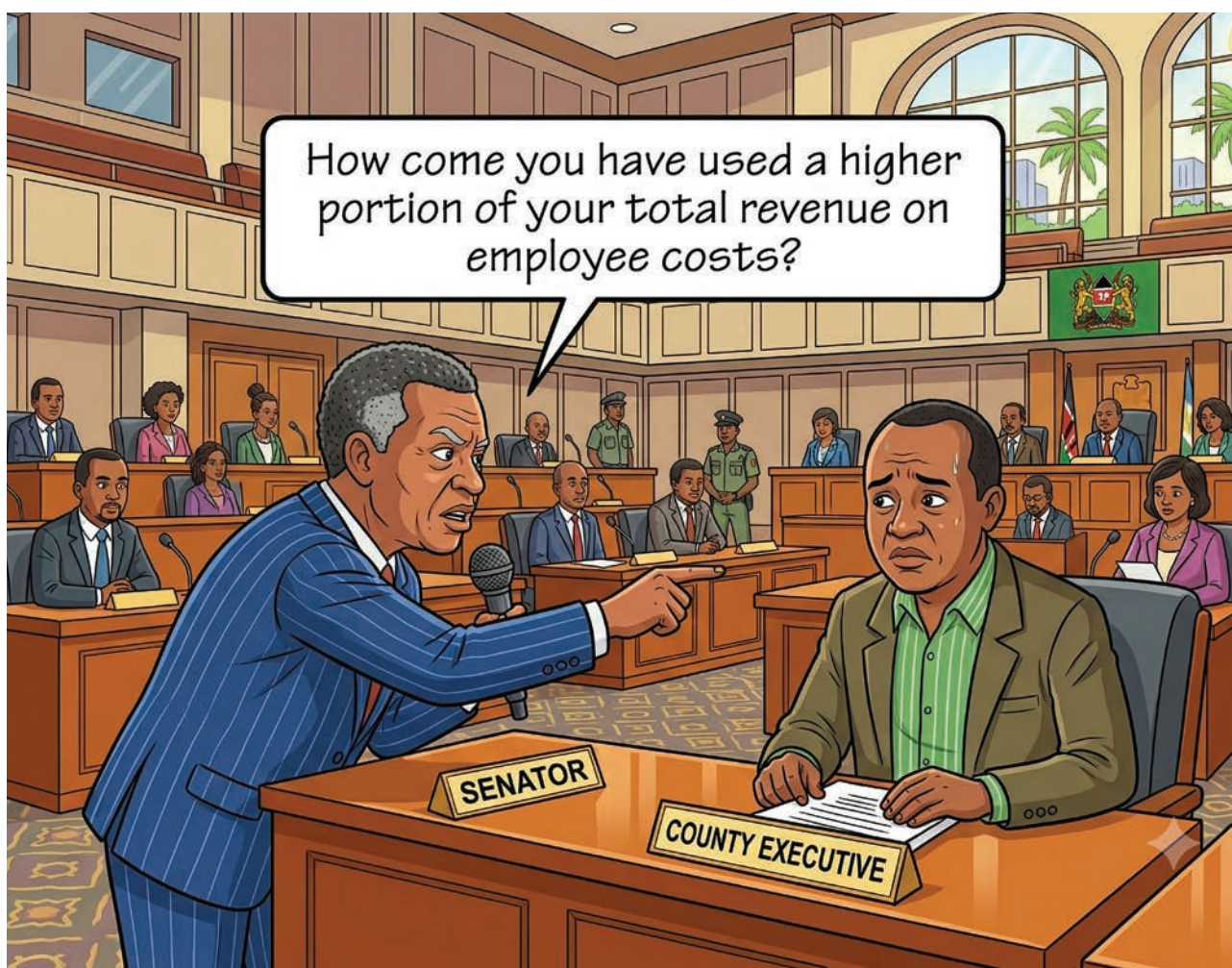


1.6 Wage Bill Expenditure Analysis for County Governments

In the 2024/2025 financial year, County Governments spent Kshs.222.54 Billion on salaries comprising Kshs.203.01 Billion or 46% of total revenue for County Executives and Kshs. 19.53 Billion or 42% of total revenue for County Assemblies as indicated below:

County	Personnel Emoluments (Kshs. Billions)	Total Revenue (Kshs. Billions)	% Wage Bill
Executives	203.01	437.80	46%
Assemblies	19.53	46.79	42%
Total	222.54	484.59	46%

Only 17 County Executives and 5 County Assemblies operated within the 35% threshold. Nyeri County Executive had a wage bill of 54% of their total revenue followed by Laikipia and Homa Bay County Executives at 48%, Wajir County Assembly had 72% and Isiolo County Assembly had 70%. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.



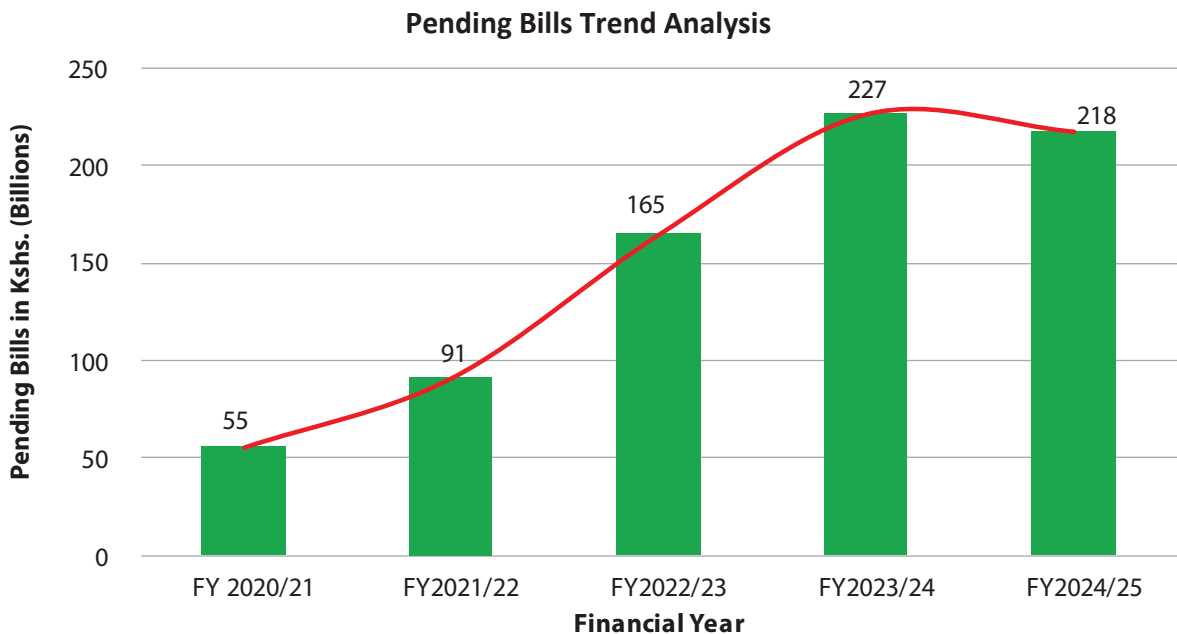
1.7 Accounts Payables (Pending Bills)

During the financial year 2024/2025 pending bills by the County Governments were Kshs.217.68 Billion. The balance constituted an amount of Kshs.210.56 Billion or 97% in respect of County Executives and Kshs.7.11 Billion or 3% by County Assemblies.

1.7.1 Underfunded Pending Bills

County Governments' budget amounted to Kshs.607.52 Billion while actual revenue received was Kshs.479.59 Billion resulting in a shortfall of Kshs.127.93 Billion. Therefore, the outstanding payables balance of Kshs.217.68 Billion exceeded the overall County budget shortfall of Kshs.127.93 Billion, implying that, in general, Counties had overcommitted the budget by Kshs.89.75 Billion without corresponding budgetary support.

Over the last 5 years, the County Governments have continued to accumulate payables with a steady increase as shown below:



The Nairobi City County had the highest pending bills of Kshs.88.01 Billion or 40% of the total County Governments' pending bills. Other County Governments with high pending bills include Kilifi County at Kshs.12.22 Billion, Kiambu at Kshs.6.44 Billion, Nakuru at Kshs.7.15 Billion and Narok at Kshs.6.68 Billion.



I am here to collect overdue payments for the supplies my company delivered six years ago

Give us time as the government has not released the county funds

PAYMENT PROCESSING

DATE	AMOUNT	STATUS
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		

VERIFICATION ☒

KSH 2,500,000

STATUS: _____

ACCOUNTANT

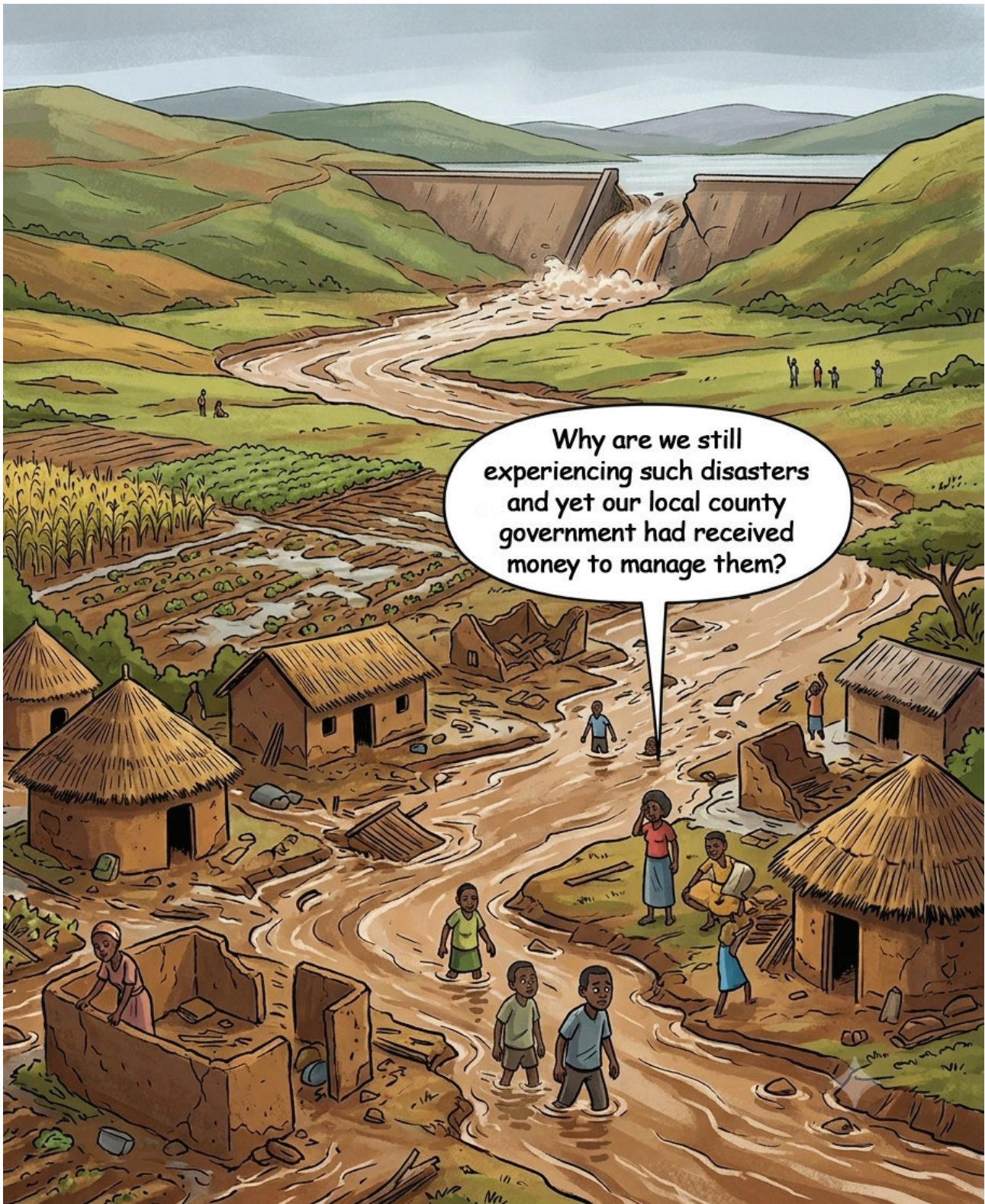
1.7.2 Unsupported Pending Bills

Some of the County Governments' pending bills related to prior financial years and they lacked supporting schedules and documentation. Failure to clear pending bills as a first charge is contrary to Regulation 55(2)(b) of the Public Finance Management (County Governments) Regulations, 2015.



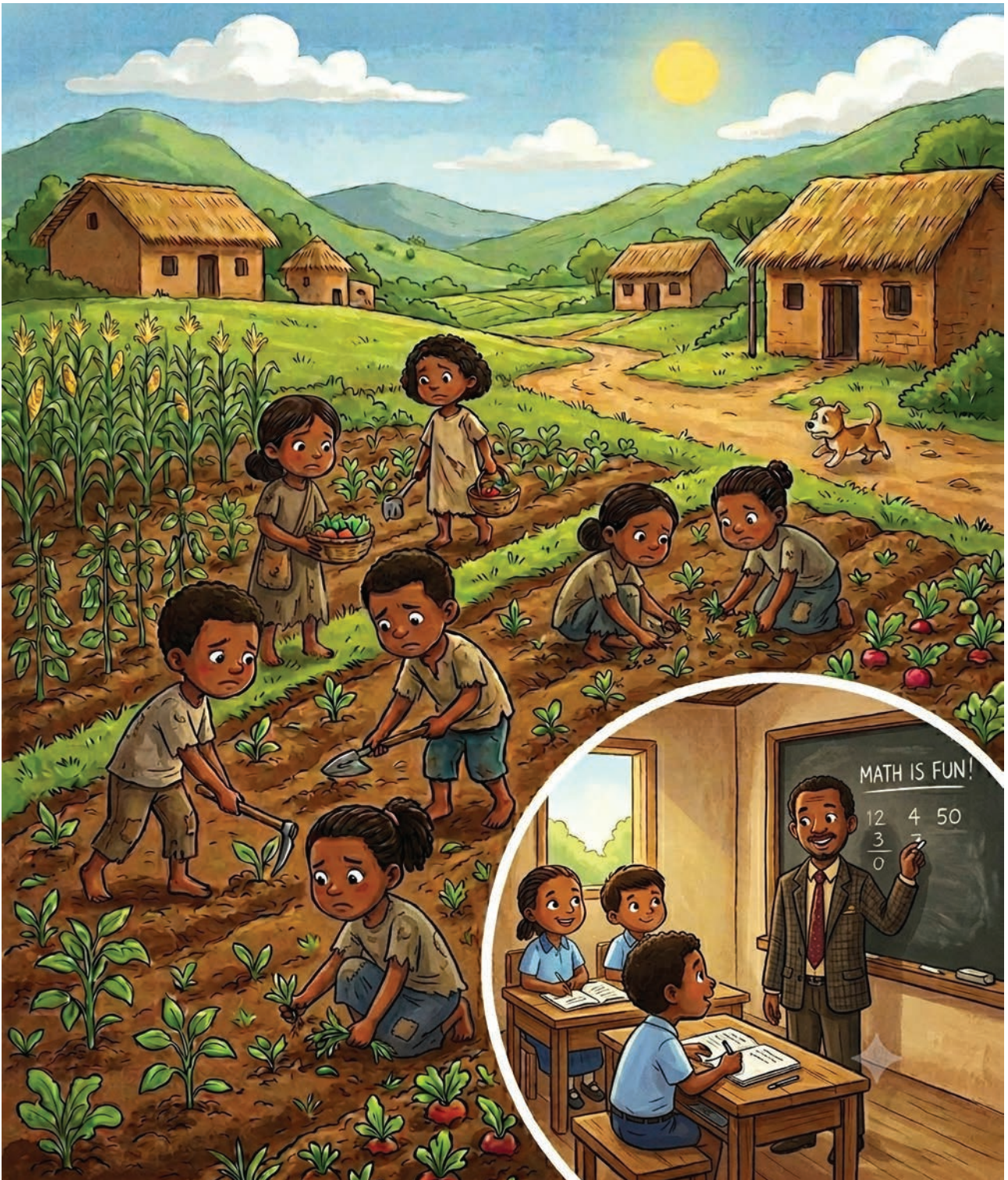
1.8 Funds for Financing Locally-Led Climate Change (FLLoCA) Program

The Financing Locally-Led Climate Action (FLLoCA) Program aims to mitigate negative effects brought by climatical changes. In the 2024/2025 financial year, 41 Counties were allocated FLLoCA funds of Kshs.12.89 Billion but only an amount of Kshs.7.37 Billion was spent.



1.9 Scholarships and Bursary Funding

In the 2024/2025 financial year, Kshs.6.25 Billion was allocated by Counties for scholarships and bursaries. However, Kshs.6.17 Billion was spent, leaving an unspent balance of Kshs.0.77 Billion. West Pokot County had the largest unspent balance of Kshs.200 Million followed by Kilifi County with an unspent balance of Kshs.127 Million and Mombasa County with Kshs.118 Million indicating potential inefficiencies or misallocation of funds.



1.10 Delayed Construction and Commissioning of County Aggregation and Industrial Parks

In August, 2023, the National Government and County Governments entered into contracts with various firms for the Construction of County Aggregation and Industrial Parks in 24 Counties. The constructions were to be completed within 2 years at Kshs.10.93 Billion. However, Kshs.8.93 Billion had been spent but the projects had not kicked off.



1.11 Facilities Improvement Financing (FIF)

The Facility Improvement Fund (FIF) is money collected by public hospitals and Public health facilities from services provided. The law requires that this money is first deposited into the County Revenue Fund (CRF) before being transferred back to the hospitals for use.

However, some Counties did not comply with the provisions of the Fund. Ten (10) Counties that collected but did not transfer the funds to CRF included Kilifi, Lamu, Embu, Kiambu, Narok, Bomet, Bungoma, Busia and Nyamira. In addition, 12 Counties had outstanding balances between CRF and FIF including Kitui County, Tharaka-Nithi County, Kisii County, Migori County, Machakos County, Kakamega County, West Pokot County, Kajiado County, Samburu County, Nyeri County, Baringo County and Homa Bay County. Trans Nzoia county reported a negative FIF of Kshs.170,000.



2.0 Analysis of Audit Opinions

The Auditor-General expressed different types of opinions for 47 County Executives and 47 County Assemblies for 2024/2025 as indicated:

Opinion	County Executives		County Assemblies	
	Number	Percentage	Number	Percentage
Unqualified/ Unmodified	1	2%	9	19%
Qualified	44	94%	38	81%
Adverse	2	4%	0	0%
Disclaimer	0	0%	0	0%
Total	47		47	

2.1 Unmodified Opinion

A total of 9 financial statements of County Assemblies and 1 financial statement of County Executive had unmodified opinions;



2.2 Qualified Opinion

A total of 44 financial statements of County Executives and 38 financial statements of County Assemblies had qualified opinions;



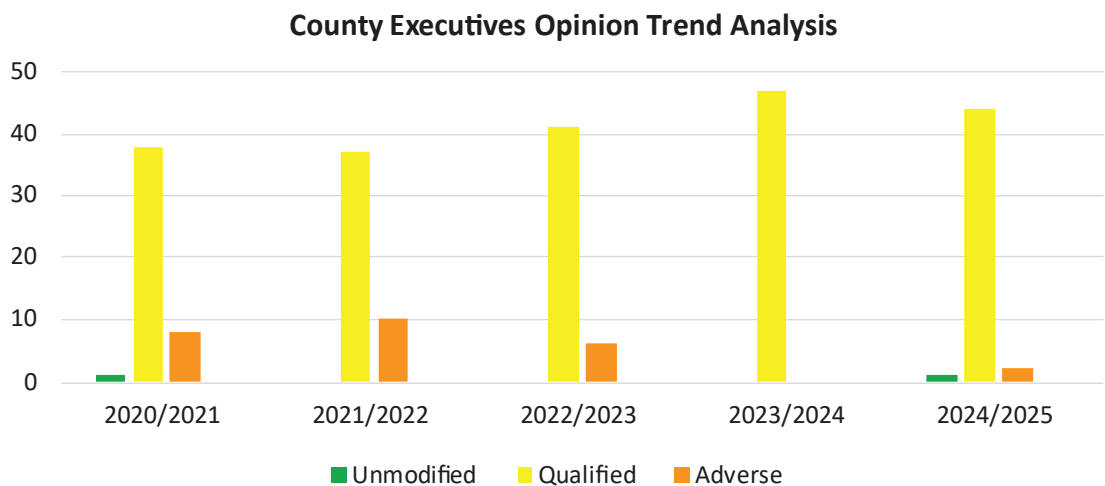
2.3 Adverse Opinion

Two financial statements of County Executives had adverse opinions;

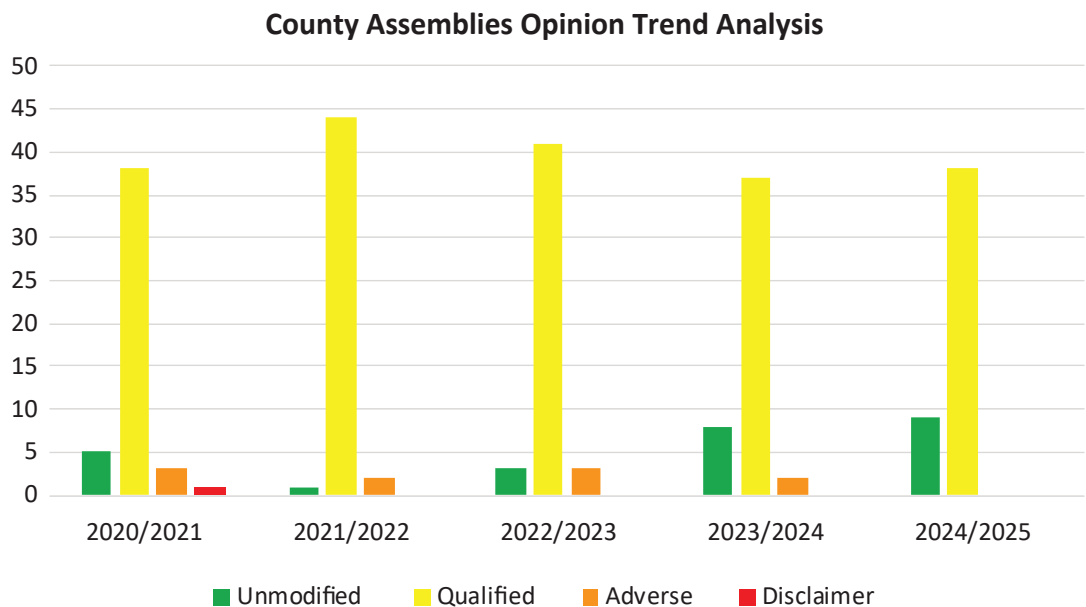


2.5 Audit Opinions Trend Analysis

There has been a positive trajectory with considerable improvements in the opinion on the financial statements for County Executives over the last five (5) years as indicated;



For the County Assemblies, there has been a considerable improvement in the opinion on the financial statements over the last 5 years as indicated;



Despite the improvements in the financial statements opinion ratings, several County Governments had weak or inadequate internal controls. This coupled with non-compliance with the laws and regulations may have compromised the accountability and reliability of the financial statements.

3.0 Summary of Persistent Issues

3.1 Inaccuracies in Financial Reporting

The Financial statements presented for audit did not match with the books of accounts and other financial records in 29 County Executives at Kshs.36 Billion with the highest County being Kilifi with Kshs.16.75 Billion, and for 18 County Assemblies at Kshs.3.18 Billion with the highest being Nairobi with Kshs.303.62 Million.



3.2 Compliance Issues

3.2.1 Non-compliance with Public Procurement Laws

During the year under review, non-compliance issues on the Public Procurement and Asset Disposal Act, 2015 were noted. 25 County Executives had various procurement irregularities amounting to Kshs.14.45Billion.



Kericho County Executive had the highest procurement irregularities on contracts valued at Kshs.5.76 Billion followed by the Nairobi City County Executive at Kshs.2.77 Billion. Twenty two (22) County Executives showed that Management incurred avoidable and wasteful expenditures amounting to Kshs.10.99 Billion arising from irregular payments, penalties, interest charges, unsupported legal costs, irregular procurement and payments for activities outside the mandates of the County Governments. The County Executive with the highest unaccounted for expenditure being Nairobi City County Executive with Kshs.8.37 Billion followed by Kiambu County Executive with Kshs.855 Million.

During the FY 2024/25, procurement irregularities were identified across 19 County Assemblies involving non-compliance with statutory levy requirements, direct procurement without justification, uncompetitive



engagement of supplier, and failure to adhere to planning and reservation thresholds totalling Kshs.316 Million. The County Assembly with the highest non-compliance expenditure was Nyamira County Assembly with Kshs.134 Million out of Kshs. 982 Million in 19 County Assemblies. Nine (9) County Assemblies incurred avoidable expenditure of Kshs.178. Million with Migori County Assembly leading at Kshs. 41 Million.

3.2.2 Irregular Subscriptions to County Organisations

Twenty-one (21) County Executives contributed Kshs.78.3 Million to the Council of Governors. Further, 18 County Assemblies contributed Kshs.15.22 Million to the Society of Clerks at the Table (SOCATT) and 20 County Assemblies contributed Kshs.57.31 Million to the County Assemblies Forum (CAF). The contributions were contrary to Section 37 of the Intergovernmental Relations Act, 2012.

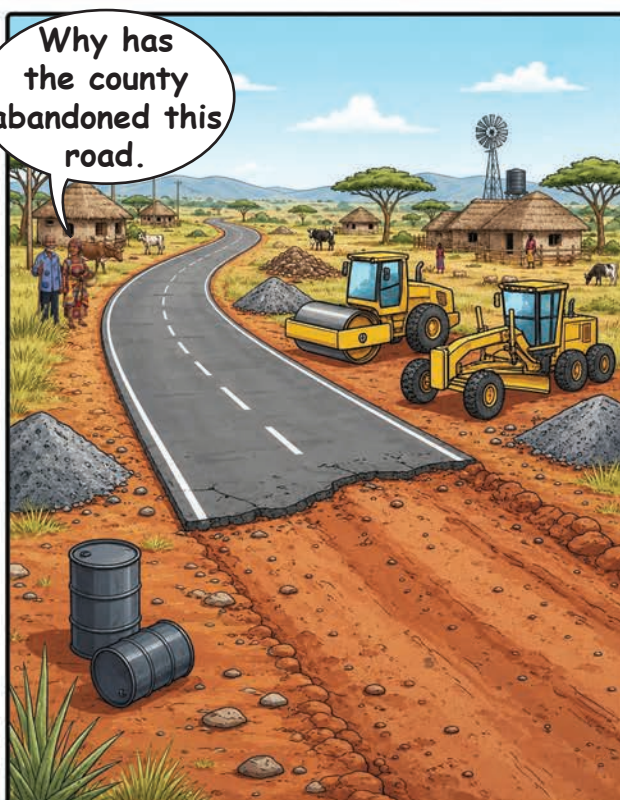
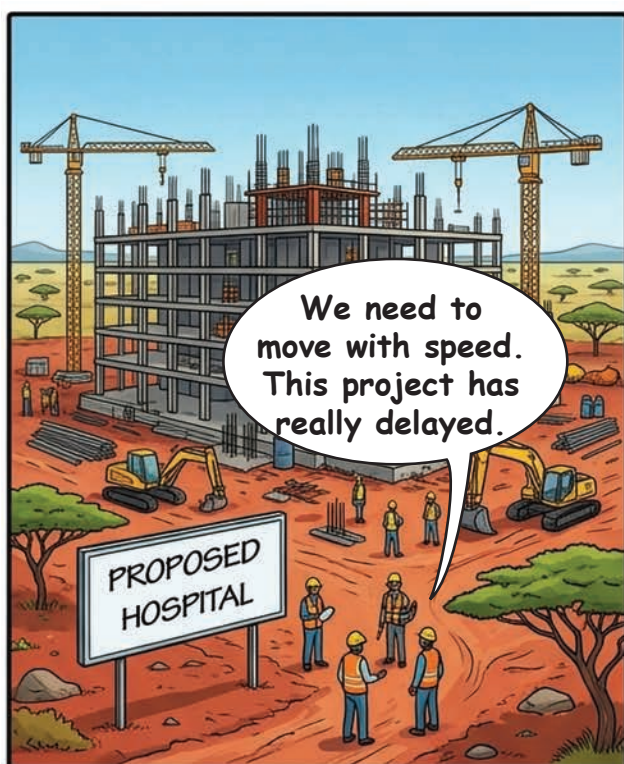
3.2.3 Irregular funding of National Government functions

Three (3) County Executives incurred expenditure on functions that fall under the mandate of the National Government, including issuance of bursaries and other expenditures outside devolved unit functions. This was contrary to Article 187 and the Fourth Schedule of the Constitution of Kenya, 2010.

3.3 Project Implementation Status

County Governments incurred substantial expenditures on projects that remain delayed, stalled, abandoned, or unutilized. Thirty Six (36) County Executives reported 124 delayed projects worth over Kshs.24.7 Billion, while 32 County Executives had 161 stalled or abandoned projects valued at Kshs.14.58 Billion. In addition, 27 County Executives had completed projects totalling Kshs.1.79 Billion that remained idle due to poor planning, lack of equipment, incomplete works, and governance failures.

Thirteen (13) County Assemblies reported 23 delayed projects worth over Kshs.3.07 Billion, while 9 County Assemblies had 31 stalled or abandoned projects worth Kshs.2.57Billion and 3 County Assemblies unsatisfactorily implemented projects worth Kshs.30.62 Million.



3.4 Lack of Ownership Documents in County Governments

County Assemblies are required by law to keep records of all assets and ensure that they are safeguarded. Fifteen (15) County Executives lacked ownership documents such as title deeds for land especially for parcels of land inherited from defunct local authorities and motor vehicle/cycle

logbooks. County Assemblies of Kwale, Garissa, Busia and Kisumu lacked land title deeds where the Assemblies are situated.



3.5 Irregular Recruitment Practices

County Executives engaged casual employees who worked continuously for 3 months without a break which was against the law. This was noted in 12 County Executives where an amount of Kshs.834.5 Million was paid. Further, 11 County Executives employed between 1% to 1.5% against the statutory requirement of 5% on employment of persons with disabilities. In addition, 6 County Executives had 157 employees who were above the mandatory retirement age of 60 or 65 for Persons with Disabilities.

Thirty one (31) County Executives and 40 County Assemblies had more than one-third of their staff from the same ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008. The County Executives with the highest non-compliance include Bomet County Executive at 99%, Nyandarua County Executive at 96%, while Elgeyo/Marakwet County Executive and Nyamira County Executive had

95% of their staff from the dominant community in the county. In addition, thirteen (13) County Assemblies had 95% and above of their staff from the same ethnic community. New appointments across the 8 County Executives revealed that between 74% to 96% were from the dominant community in the County against the required 30% contrary to Section 65(1)(e) of the County Governments Act, 2012.



Further County Executives did not remit statutory deductions totalling Kshs.12.22 Billion while County Assemblies failed to remit Kshs.93 Million from various statutory bodies. The unremitted amounts included tax to Kenya Revenue Authority, NHIF/SHA and pension contributions such as; NSSF, LAPFUND, LAPTRUST. These delays reflect weak payroll controls and non-compliance with statutory obligations resulting to penalties, legal liabilities and potential employee grievances.



3.6 Internal Controls and Governance

Every County Government is required to establish an Audit Committee to provide oversight on financial reporting, internal controls, risk management and governance. However, 5 County Executives and 11 County Assemblies had not established functional audit committees while another 5 County Executives had audit committees that were not fully constituted.

Further, twenty three (23) County Executives and 20 County Assemblies audit committees failed to followup on implementation of audit recommendations.

Internal Audit Units in some County Governments were under staffed

Why haven't you established an audit committee and strengthened internal audit?

HON. GOVERNOR

DEP. GOVERNOR

SPEAKER

MCA

OBSERVER

MCA

COUNTY GOVERNMENT AUDIT RESPONSE

COUNTY GOVERNMENT

ITEM	PROPOSED BUDGET	ACTUAL BUDGET
1. SALARY	100,000,000	100,000,000
2. BENEFIT	50,000,000	50,000,000
3. TRAVEL	20,000,000	20,000,000
4. OTHER	30,000,000	30,000,000
TOTAL	200,000,000	200,000,000

FINANCE RECORDS

ASSESSMENT REPORTS

FINANCE BILLS

PROCUREMENT

2026

3.6.1 Mismanagement of Budgets

The County Governments exhibited non-compliance with constitutional and regulatory requirements in budget management and fiscal discipline. Budget variations exceeded the 10% limit, over-allocation above statutory thresholds, and expenditure above the debt limits. Some County Governments failed to publish budget documents on time. Also, there was non-compliance with Salaries and Remuneration Commission (SRC) guidelines on housing benefits. These exposed them to risks of fiscal indiscipline, weak governance, and reduced accountability.



3.6.2 Weaknesses in Risk Management and ICT

Sixteen (16) County Executives and 10 County Assemblies failed to maintain risk management frameworks/policies, Disaster Recovery Plans, Business Continuity Plans, and risk registers. Further, 18 County Executives lacked ICT policies, governance frameworks and internal controls on their establishment. This was contrary to the requirements of Regulation 158(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.



4.0 RECOMMENDATIONS

The County Governments should prepare realistic budgets on activities at the county.

County Governments should spend approved money on time so that projects are completed.

The County Governments should ensure all started projects are completed and put to use.

Sanctions should be enforced against County Governments who fail to remit statutory deductions or pay suppliers within the stipulated timelines.

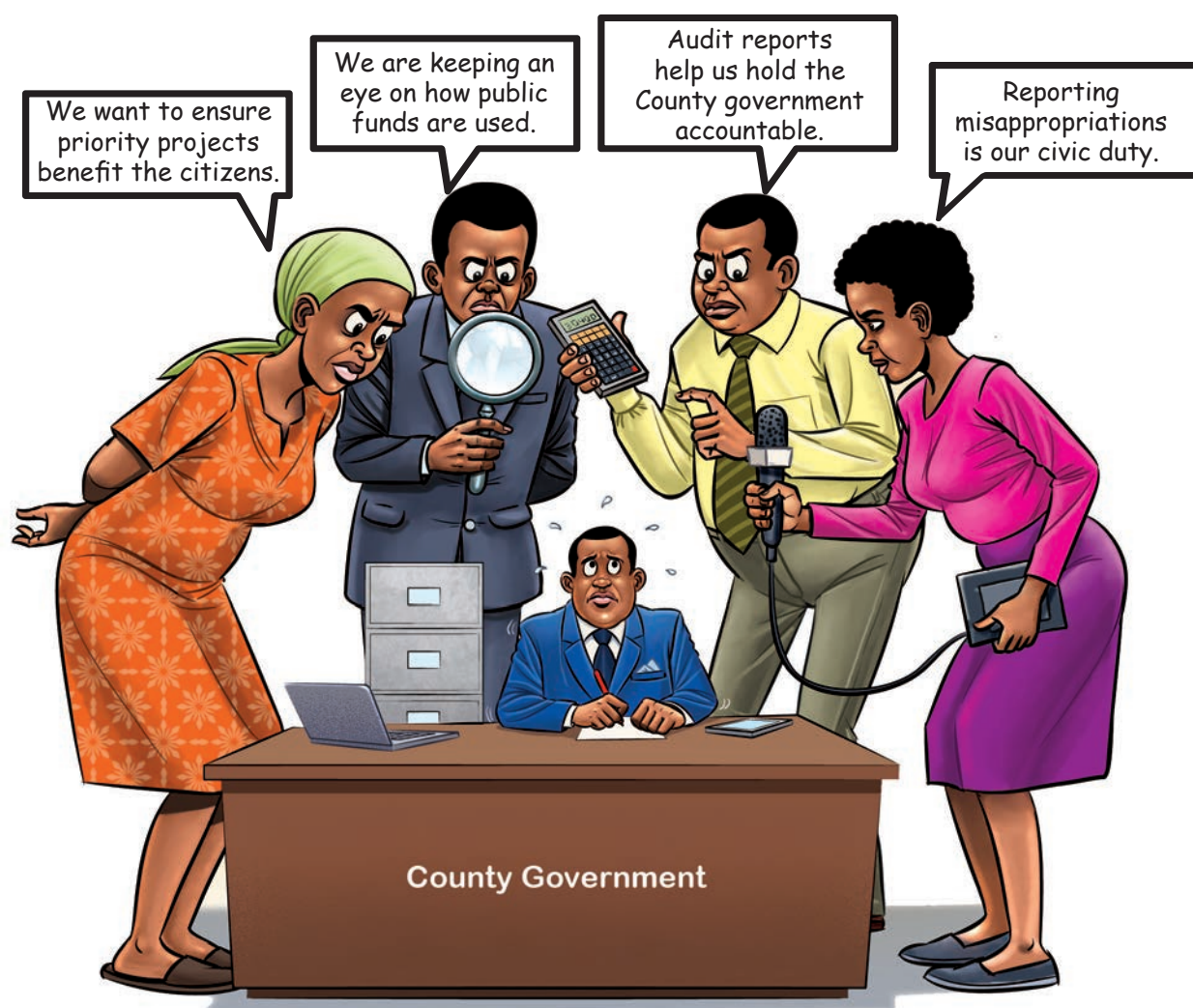
The National Government to ensure adequate funding is provided towards implementation of County Governments projects and programmes.

County Accounting Officers should resolve audit issues and implement recommendations of the Auditor-General's report and oversight committees.

5.0 HOW CITIZENS CAN USE THE AUDIT REPORT

This report will enhance citizens' capacity in the Citizen Accountability Audit. It will also encourage greater citizen participation in public finance management, including planning and budgeting. It will lead to increased ownership of Social Accountability Audit initiatives.

Further, this report will increase the visibility of the OAG to citizens leading to increased uptake and follow-up on the findings of audit reports. The citizens will have access to a seamless flow of information from OAG thereby contributing to the effectiveness of participatory audits, and the ability of OAG to report on the efficiency and effectiveness of the use of public resources.



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