REPUBLIC OF KENYA

Office of the Controller of Budget

Budget Oversight for Transparency

COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

THE FIRST QUARTER OF FY 2025/26

NOVEMBER, 2025

COUNTY GOVERNMENTS

BUDGET IMPLEMENTATION REVIEW REPORT

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FOREWORD

The County Governments' Budget Implementation Review Report (CBIRR) for the first quarter of FY 2025/26 provides an analysis of the budget performance of the forty-seven County Governments. It examines various aspects, including receipts into the County Revenue Fund, issues related to the exchequer, expenditures, and funds absorption relative to the approved budget. Additionally, the report tracks pending bills and revenue arrears. It identifies key issues that hindered budget implementation during the period and offers recommendations to address these challenges.

This report is prepared per Article 228 (6) of the Constitution, which mandates the Controller of Budget to submit a report on the implementation of the budgets of the National and County Governments to each House of Parliament every four months. Furthermore, it aligns with Section 9 of the Controller of Budget Act, 2016, which outlines the required contents of budget implementation reports. The report serves as a means for the Controller of Budget to disseminate information on budget implementation at the County Government level, as stipulated in Section 39(8) of the Public Finance Management Act, 2012.

To compile this report, financial and non-financial data were reviewed and analysed, including reports submitted to the Controller of Budget under Sections 166 and 168 of the Public Finance Management Act. It draws on data from the Integrated Financial Management Information System and the approved FY 2025/26 budgets. Continuous monitoring of budget implementation by the Office of the Controller of Budget further enhanced the findings of this report.

This report will be valuable to the Legislature and Executive branches of County Governments, as well as the public, by increasing awareness of budget implementation and improving the management of public funds. I encourage the public and other stakeholders to use this report to scrutinise how County Governments are utilising public funds.

The preparation of this report was made possible through the dedication and hard work of the Controller of Budget staff and County Government personnel, whom I would like to acknowledge and greatly appreciate.

The report is also available at https://cob.go.ke/.

FCPA Dr Margaret Nyakang'o, CBS

CONTROLLER OF BUDGET

EXECUTIVE SUMMARY

This is the first-quarter County Budget Implementation Review Report (CBIRR) for FY 2025/26, covering the period from July 2025 to September 2025. The report is prepared in fulfilment of the requirements of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It provides an overview of budget implementation across all 47 County Governments during the period under review by analysing revenue and expenditure performance. In addition, it highlights the challenges experienced and provides appropriate recommendations for future improvements.

The combined County Governments' budgets for FY 2025/26, as approved by the County Assemblies, amounted to Kshs.603.72 billion, comprising Kshs.217.80 billion (36 per cent) allocated to development expenditure and Kshs.385.92 billion (64 per cent) allocated to recurrent expenditure. The allocation for development expenditure conforms to section 107(2)(b) of the PFM Act, 2012, the Public Finance Management (PFM) Act, 2012 requirement, which mandates that at least 30 per cent of the budget be dedicated to development expenditure.

To finance the FY 2025/26 budget, the County Governments expect to receive Kshs.415 billion as equitable share of revenue raised nationally; raise Kshs.93.89 billion from ordinary own sources of revenue, including Facility Improvement Fund (FIF)/Appropriation in Aid (A-I-A) of Kshs.29.17 billion; receive Kshs.68.21 billion as County additional conditional allocations from the National Government and Development Partners and utilise Kshs.26.62 billion of unspent funds carried forward from FY 2024/25.

The total available funds to the County Governments in the first quarter of FY 2025/26 amounted to Kshs.107.27 billion. This amount comprised of Kshs.66.13 billion as equitable share of revenue raised nationally, which was authorized for withdrawal from Consolidated Fund to respective County Revenue Funds (CRF) accounts by the Controller of Budget (CoB) in line with Article 206(4) of the constitution; Kshs.26.32 billion as cash balances brought forward from FY 2024/25; and Kshs.13.94 billion as revenue generated from own source revenue, which included Facility Improvement Fund (FIF)/Appropriation in Aid (A-I-A) of Kshs.5.45 billion.

During the reporting period, the County Governments received a total of Kshs.13.94 billion from own revenue sources, which accounted for 15 per cent of the annual own revenue target of Kshs.93.89 billion. This represented an increase of 10 per cent compared to a similar period of FY 2024/25, when the County Governments cumulatively received a total of Kshs.12.68 billion. The Counties that achieved the higher proportion of their local revenue collection to their respective annual revenue targets were Samburu County at 40 per cent, Garissa County at 36 per cent, Narok County at 35 per cent, Kitui and Mombasa Counties at 22 per cent each, Vihiga and Baringo Counties at 21 per cent each and Homa Bay and Lamu Counties at 20 per cent each. Conversely, the Counties with the lowest proportion of their local revenue collection to their respective annual revenue targets included Uasin Gishu and Kisumu Counties, both attaining 10 per cent, Kwale County at 9 per cent, Nandi County at 7 per cent, Siaya County at 6 per cent and Kericho County at 4 per cent. This poor performance is primarily attributed to shortfalls in ordinary OSR collections, except for Kisumu County, which experienced significant revenue losses from FIF owing to the elevation of Jaramogi Oginga Odinga Teaching and Referral Hospital to Level Six, which has since been handed over to the National Government.

The total outstanding revenue arrears as at 30th September, 2025, amounted to Kshs.156.23 billion. This included Kshs.113.90 billion in ordinary Own Source Revenue arrears, Kshs.7.05 billion in Facility Improvement Financing arrears, and Kshs.35.28 billion related to the September equitable share. The situation significantly impedes liquidity, making it challenging for the Counties to implement the FY 2025/26 budget effectively.

In the first quarter of FY 2025/26, the Controller of Budget authorised the withdrawal of Kshs.66.13 billion from the Consolidated Fund to the various County Revenue Fund (CRF) accounts as the Counties' equitable share of revenue raised nationally, in line with Article 206(4) of the Constitution of Kenya, 2010.

The Controller of Budget also authorised the withdrawal of Kshs.54.25 billion from the County Revenue Fund (CRF) accounts to the County Operational Accounts for the County Governments. Of this amount, Kshs.50.55 billion (93 per cent) was for recurrent activities, and Kshs.3.70 billion (7 per cent) was for development activities.

The County Governments' cumulative expenditure in the period under review amounted to Kshs.55.15 billion. This expenditure consisted of Kshs.51.46 billion (93 per cent) for recurrent activities and Kshs.3.69 billion (7 per cent) for development activities. The expenditure represented an absorption rate of 9 per cent of the

aggregate annual County Governments' budget, a slight decrease from the 10 per cent achieved in a similar period of FY 2024/25.

The Counties that attained the highest overall absorption rates of their annual budgets were Isiolo at 21 per cent (on Vote-on-Account), Kitui at 18 per cent, and Machakos, Nyeri, and Uasin Gishu, each at 14 per cent. On the other hand, Turkana and Laikipia recorded the lowest aggregate absorption rates, at 5 per cent each, followed by Tana River, Nyandarua, and Kericho, each at 4 per cent.

In the first quarter of FY 2025/26, the County Governments' development expenditure amounted to Kshs.3.69 billion, translating to an absorption rate of 2 per cent of their aggregate annual development budget of Kshs.220.46 billion. This represented a decline from a 3 per cent absorption rate realised in a similar period of FY 2024/25, when the County Governments' cumulative expenditure on development activities was Kshs.6.71 billion against an annual development budget estimate of Kshs.205.33 billion. Isiolo County achieved the highest absorption rate of its approved development budget at 15 per cent (on Vote-on-Account), followed by Kirinyaga County at 7 per cent, and Machakos, Mandera, Murang'a, Kitui and Makueni Counties, each attaining 5 per cent. Conversely, the following 20 Counties reported zero absorption on development expenditure in the reporting period under review, i.e., Kericho, Tana River, Turkana, Bomet, Siaya, Trans Nzoia, Baringo, Kilifi, Kwale, Kajiado, Kisumu, Mombasa, Vihiga, Busia, West Pokot, Bungoma, Uasin Gishu, Wajir, Laikipia and Kisii Counties.

The County Governments' recurrent expenditure during the period under review amounted to Kshs.51.47 billion, accounting for 13 per cent of the annual County Governments' budget for recurrent activities, which is consistent with the absorption rate recorded in a similar period in FY 2024/25 when expenditure for recurrent activities was Kshs.48.96 billion against aggregate recurrent budget estimates of Kshs.371.40 billion. The expenditure comprised Kshs.43.70 billion (85 per cent) on compensation to employees and Kshs.7.76 billion (15 per cent) on operations and maintenance.

The County Assemblies incurred Kshs.289.61 million on MCAs' sitting allowances against an approved annual budget allocation for MCAs' sitting allowances of Kshs.2.00 billion, translating to 14 per cent of the approved MCAs sitting allowance budget, and a decline from an absorption rate of 15 per cent realised in the similar period of FY 2024/25, when Kshs.290.23 million was incurred.

In the first quarter of FY 2025/26, the County Governments reported outstanding trade payables stock of Kshs.177.47 billion comprising Kshs.125.67 billion for recurrent activities and Kshs.51.79 billion for development activities. The Counties with significant trade payables stock included Nairobi City at Kshs.82.89 billion, Kilifi at 9.70 billion, Kiambu at Kshs.6.47 billion, Machakos at Kshs.5.80 billion, Narok at Kshs.5.43 billion, Bungoma at Kshs.4.25 billion, and Wajir at Kshs.3.71 billion.

During the reporting period, the Controller of Budget identified several challenges that hindered effective budget execution, including (i) Delay in submission of County Appropriation Acts, Budget Books, and Governors' Warrants for FY 2025/26 to the Controller of Budget, (ii) Delay by the Parliament to enact the Governments Additional Allocations Bill 2025, (iii) Delay by the National Treasury to disburse the Equitable Share of Revenue raised nationally, (iv) Underperformance in Own-Source revenue collection, (v) Increased Overdependence on Funding from Facility Improvement Financing, (vi) High levels of trade payables, (vii) Low expenditure on development programmes, (viii) Lapsing of Established Fund Regulations and (ix) Delay in submission of Financial and Non-Financial Reports to the Controller of Budget.

The Controller of Budget recommends several actions to enhance budget implementation at the County level for FY 2025/26. County Governments should ensure the timely submission of Appropriation Acts, Budget Books, and Governors' Warrants by July 1 to facilitate prompt fund releases. Additionally, the Parliament should expedite the enactment of the County Governments Allocation Act to ensure timely transfers from the National Government. The National Treasury needs to adhere to a strict disbursement schedule and ensure disbursement to County Revenue Funds by the 15th of the month. County Governments should strengthen revenue collection efforts, reduce reliance on single revenue streams, prioritise settling trade payables, increase development expenditure, extend regulations on established funds which are lapsing or have lapsed, and comply with legal requirements for submitting financial and non-financial reports to the Controller of Budget. These measures will collectively enhance effective budget implementation and County development.

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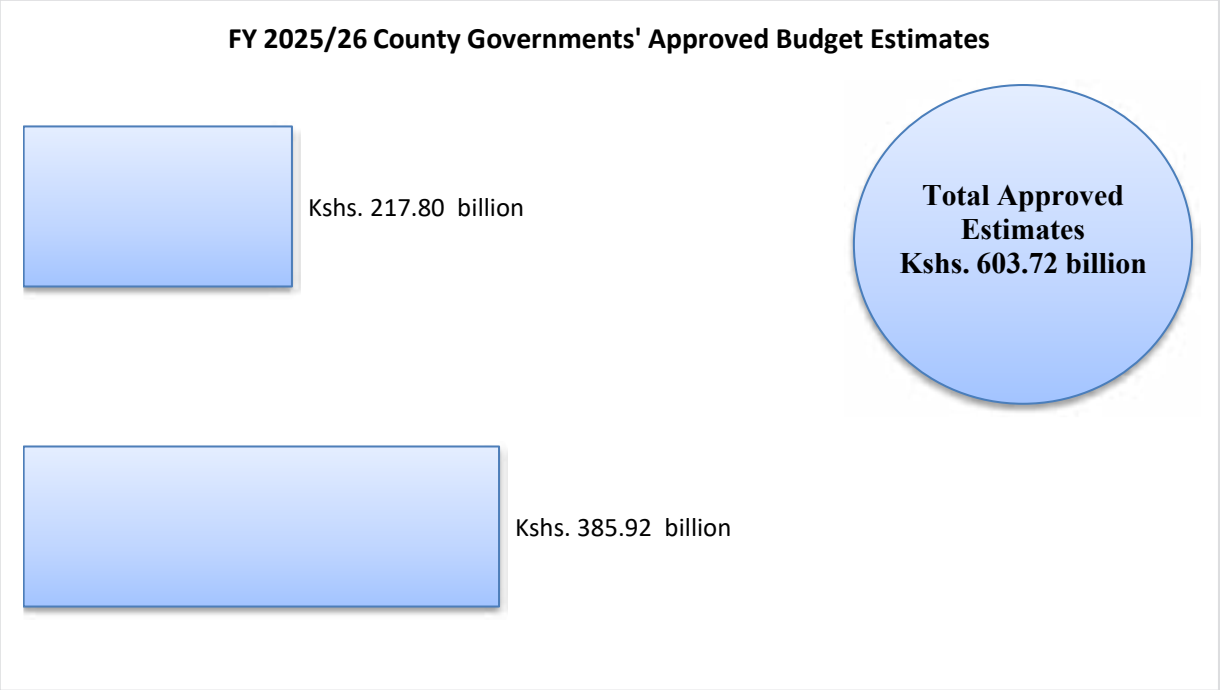
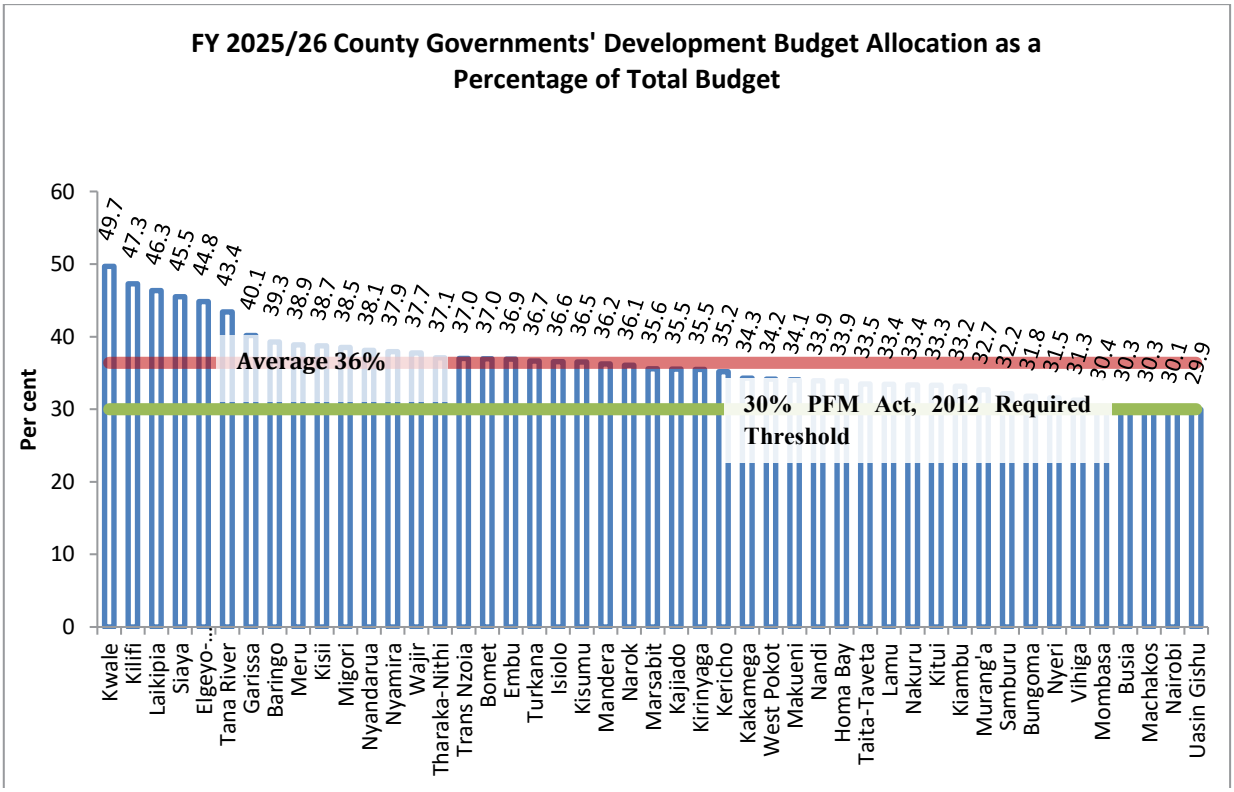
ACRONYMS

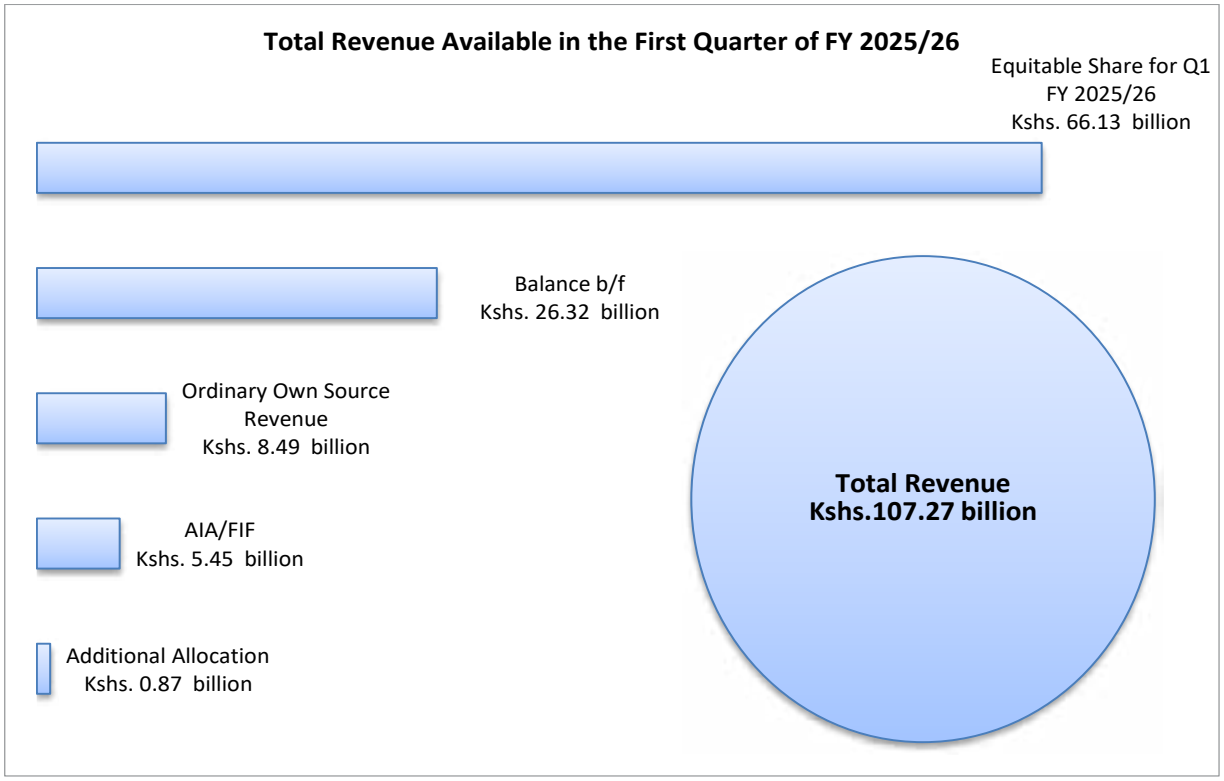
AIA	Appropriation in Aid
ASDSP	Agriculture Sector Development Support Programme
CAIP	County Aggregation and Industrial Parks
CARA	County Allocation Revenue Act
CBIRR	County Budget Implementation Review Report
CGAAA	County Governments Additional Allocation Act
CHP/V	Community Health Promoters/ Volunteers
CoB	Controller of Budget
Counties	County Governments
CPF	County Pension Fund
CRF	County Revenue Fund
DANIDA	Danish International Development Agency (Primary Health Care)
Dev	Development
DRPNK	Drought Resilience Programme in Northern Kenya
ELRP	Emergency Locust Response Project
FIF	Facility Improvement Fund/ Financing
FLLoCA	Financing Locally – Led Climate Action Programme
FSRP	Food System Resilience Project
FY	Financial Year
HRIS	Human Resources Information System
IB	Internet Banking
IDA	International Development Association
IDEAs	Instrument for Devolution Advice and Support
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management System
IPPD	Integrated Payroll and Personnel Database
KABDP	Kenya Agricultural Business Development Project
KDSP	Kenya Devolution Support Programme
KeLCoP	Kenya Livestock Commercialisation Project
KUSP	Kenya Urban Support Project
MCA	Member of the County Assembly
NAVCDP	National Agricultural Value Chain Development Project
NHIF	National Health Insurance Fund
O&M	Operational and Maintenance
OCoB	Office of the Controller of Budget
OSR	Own Source Revenue
PBB	Programme-Based Budget

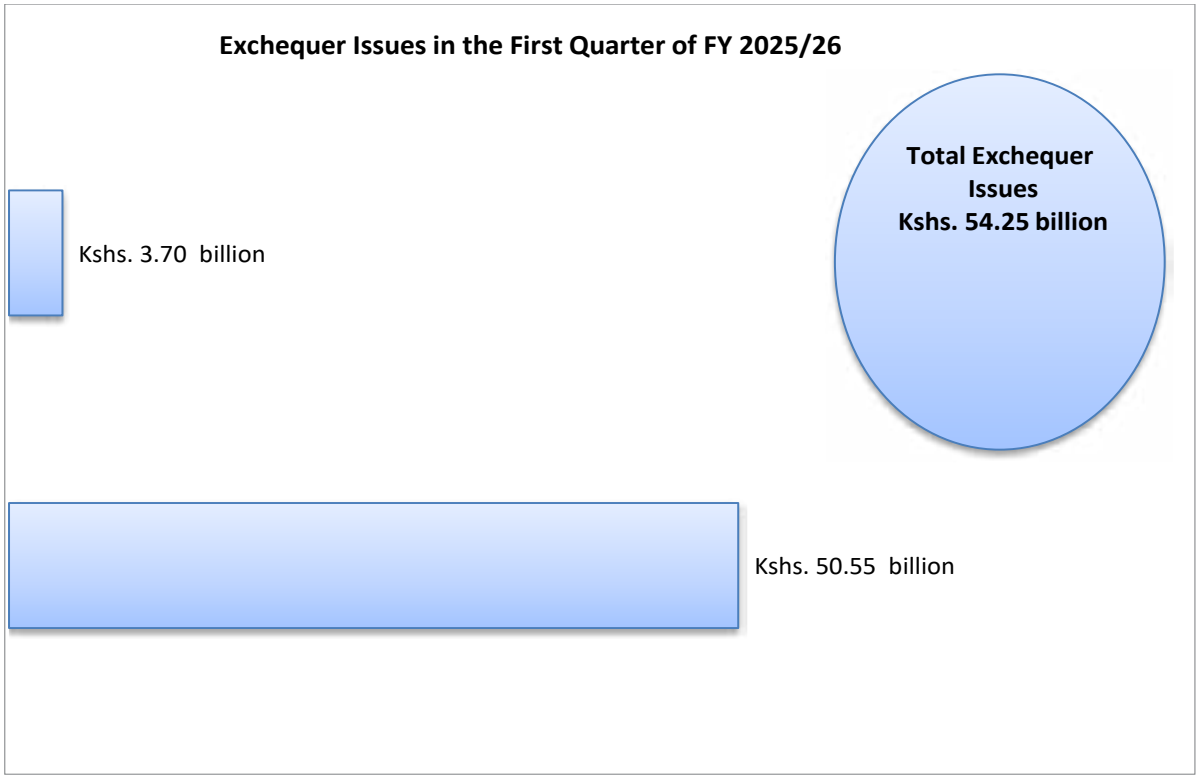
PE	Personnel Emoluments
PFM	Public Finance Management
Rec	Recurrent
SHA	Social Health Authority
SHIF	Social Health Insurance Fund
SPA	Special Purpose Account
UNFPA	United Nations Fund for Population Activities

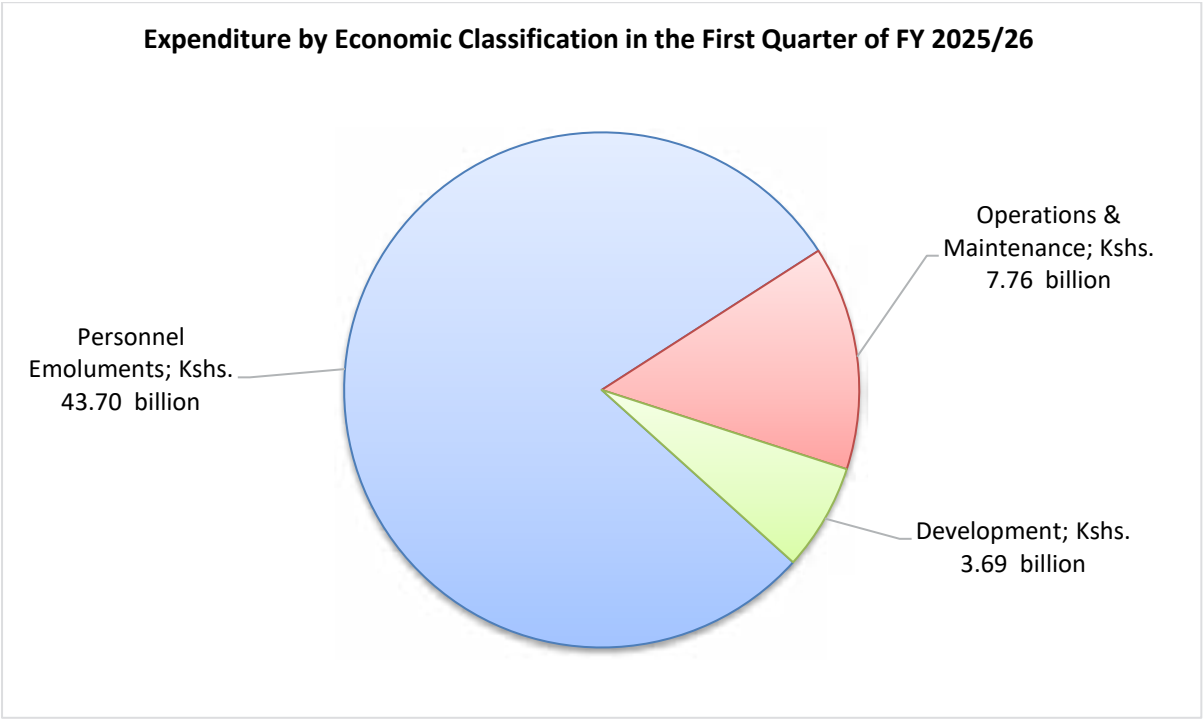
KEY HIGHLIGHTS

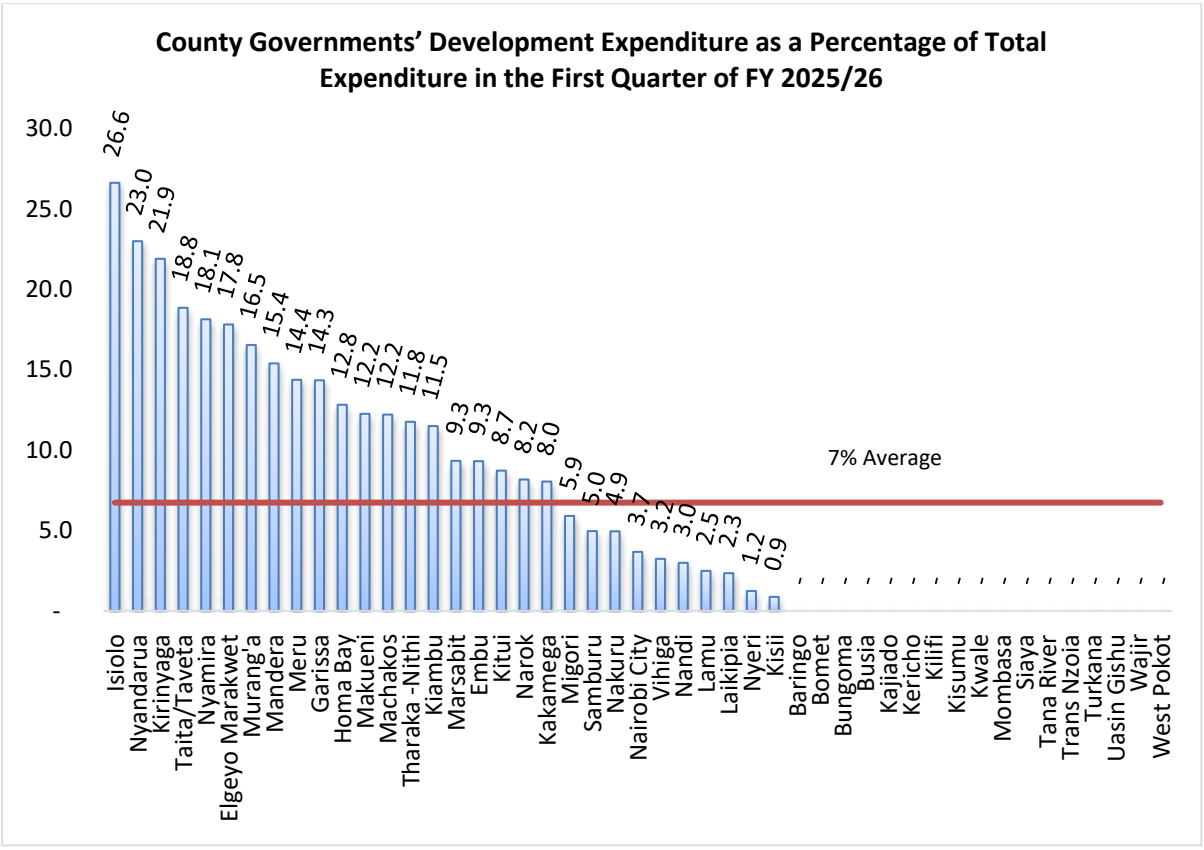


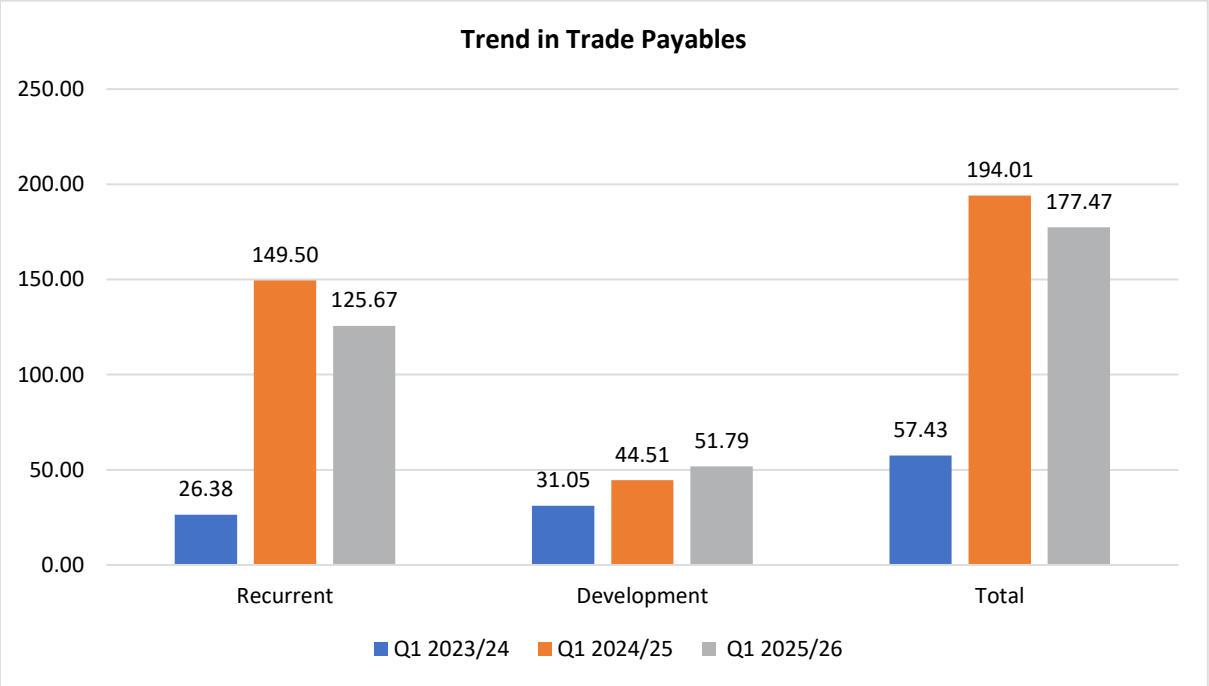


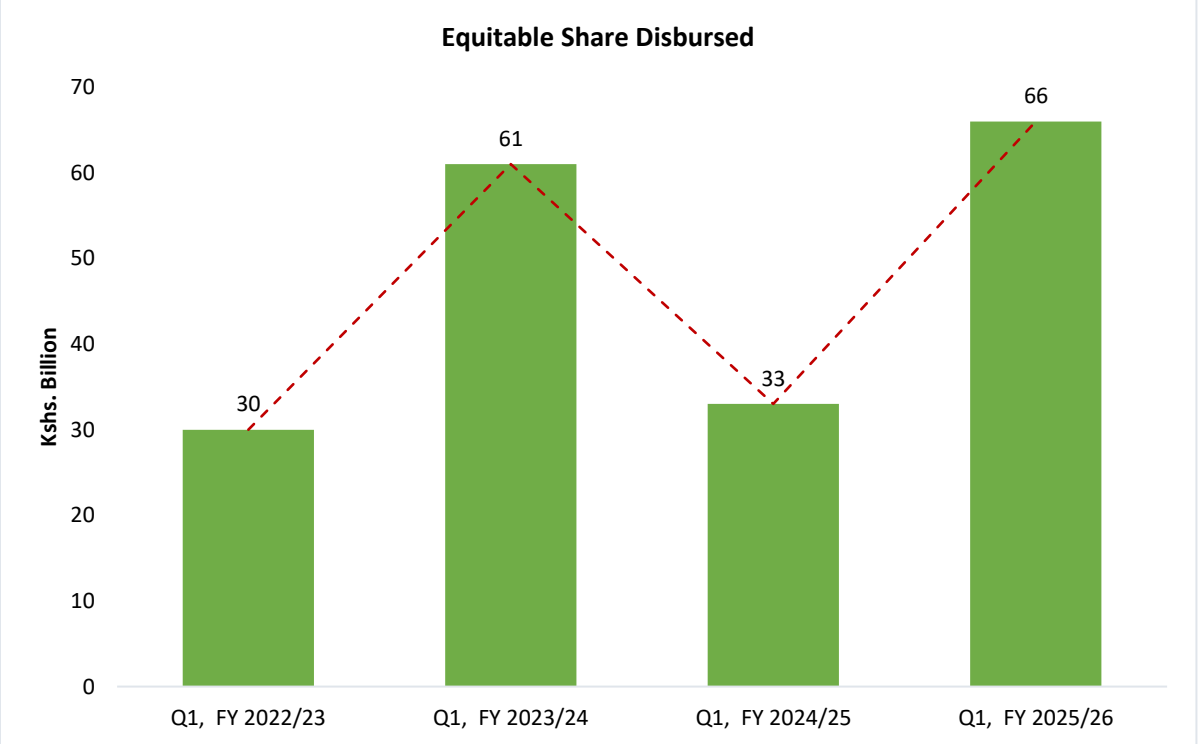

Total Revenue Available in the First Quarter of FY 2025/26
Equitable Share for Q1 FY 2025/26 Kshs. 66.13 billion
Balance b/f Kshs. 26.32 billion
Ordinary Own Source Revenue Kshs. 8.49 billion
AIA/FIF Kshs. 5.45 billion
Additional Allocation Kshs. 0.87 billion
Total Revenue Kshs.107.27 billion

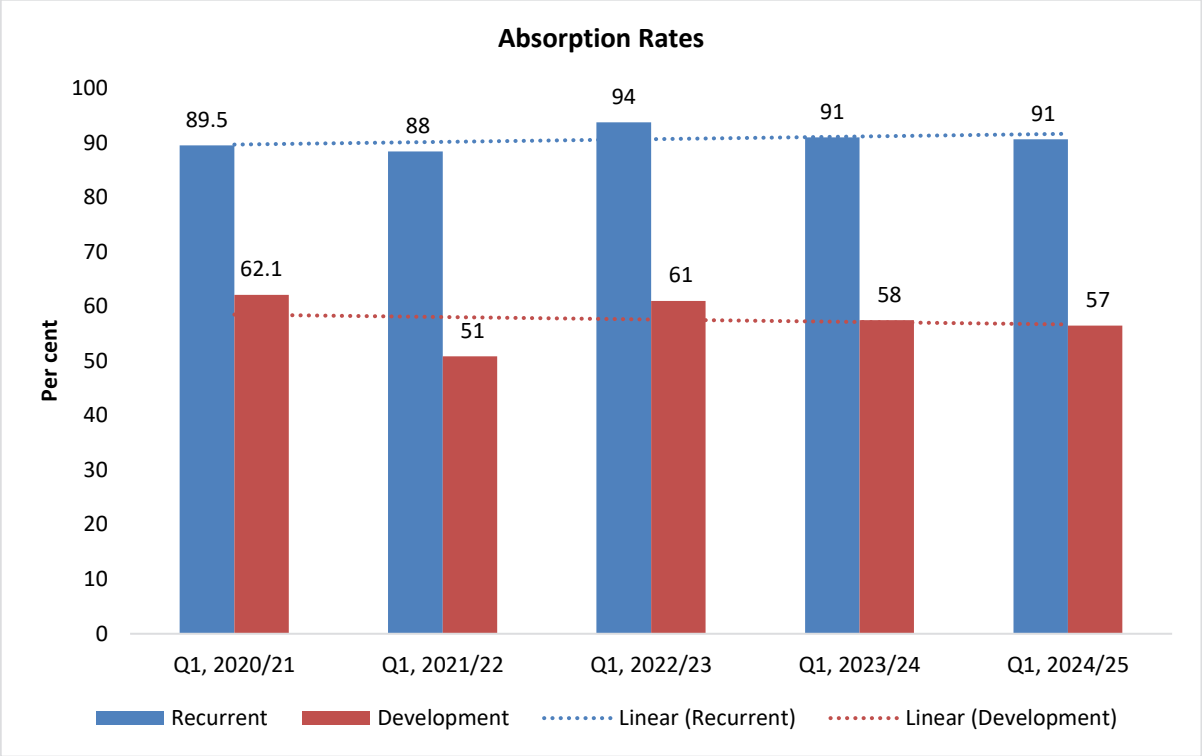

Exchequer Issues in the First Quarter of FY 2025/26
Kshs. 3.70 billion
Total Exchequer Issues Kshs. 54.25 billion
Kshs. 50.55 billion


Expenditure by Economic Classification in the First Quarter of FY 2025/26
Operations & Maintenance; Kshs. 7.76 billion
Personnel Emoluments; Kshs. 43.70 billion
Development; Kshs. 3.69 billion


County Governments' Development Expenditure as a Percentage of Total Expenditure in the First Quarter of FY 2025/26
30.0
25.0
20.0
15.0
10.0
5.0
-
7% Average
26.6
23.0
21.9
18.8
18.1
17.8
16.5
15.4
14.4
14.3
12.8
12.2
12.2
11.8
11.5
9.3
9.3
8.7
8.2
8.0
5.9
5.0
4.9
3.7
3.2
3.0
2.5
2.3
1.2
0.9
Isiolo
Nyandarua
Kirinyaga
Taita/Taveta
Nyamira
Elgeyo Marakwet
Murang'a
Mandera
Meru
Garissa
Homa Bay
Makueni
Machakos
Tharaka -Nithi
Kiambu
Marsabit
Embu
Kitui
Narok
Kakamega
Migori
Samburu
Nakuru
Nairobi City
Vihiga
Nandi
Lamu
Laikipia
Nyeri
Kisii
Baringo
Bomet
Bungoma
Busia
Kajiado
Kericho
Kilifi
Kisumu
Kwale
Mombasa
Siaya
Tana River
Trans Nzoia
Turkana
Uasin Gishu
Wajir
West Pokot


Trend in Trade Payables
250.00
200.00
150.00
100.00
50.00
0.00
26.38
149.50
125.67
31.05
44.51
51.79
57.43
194.01
177.47
Recurrent
Development
Total
Q1 2023/24
Q1 2024/25
Q1 2025/26


Equitable Share Disbursed
Kshs. Billion
70
60
50
40
30
20
10
0
30
61
33
66
Q1, FY 2022/23
Q1, FY 2023/24
Q1, FY 2024/25
Q1, FY 2025/26


Absorption Rates
Per cent
100
90
80
70
60
50
40
30
20
10
0
89.5
62.1
88
51
94
61
91
58
91
57
Q1, 2020/21
Q1, 2021/22
Q1, 2022/23
Q1, 2023/24
Q1, 2024/25
Recurrent
Development
Linear (Recurrent)
Linear (Development)

1. INTRODUCTION

The Controller of Budget (CoB) is established under Article 228 of the Constitution of Kenya to oversee and report on the implementation of budgets for the National and County Governments. According to Article 228(6) of the Constitution and Section 9 of the Controller of Budget (CoB) Act, 2016, the CoB is required to submit a report to each house of Parliament on budget implementation every four months.

The County Budget Implementation Review Report (CBIRR) for the first quarter of FY 2025/26 encompasses the period from July 2025 to September 2025. The report analyses information on own-source revenue, transfers received from the National Government and Development Partners, and total expenditures for the first quarter of FY 2025/26. It further tracks the settlement of trade payables and revenue arrears for the first quarter of FY 2025/26. The CBIRR is based on financial reports submitted to the CoB by County Treasuries, in line with Sections 166 and 168 of the Public Finance Management (PFM) Act 2012, data obtained from the Integrated Financial Management Information System (IFMIS), and information gathered by the CoB during the monitoring and evaluation of budget implementation. This report utilises an absorption rate to measure performance, calculated as a percentage of actual expenditure against the approved budget estimates for the first quarter.

The report is structured into various chapters. Chapter One provides an introduction, while Chapter Two analyses the budget performance of County Governments for the first quarter of FY 2025/26. Chapter Two discusses the performance of County Governments in generating own-source revenue, including an analysis of outstanding revenue. Chapter Two also discusses actual expenditure compared with budget estimates for recurrent and development costs in a similar period in FY 2024/25. It also provides a summary of programme and sub-programme performance. A summary of the trade payables for the forty-seven County Governments as of September 30, 2025, is also included in this Chapter. The absorption rate indicates performance and is calculated as a percentage of actual expenditure relative to the approved budget estimates for the first quarter.

Chapter Three presents a detailed report by individual Counties, discussing budget performance across recurrent and development expenditures, exchequer issues, and actual spending, which is categorised into Compensation of Employees, Operations and Maintenance, and Development Expenditure. Additionally, the Chapter analyses development projects undertaken in the first quarter of FY 2025/26.

Chapter Four summarises the key challenges identified by the CoB in the budget implementation process for Counties during the first quarter of FY 2025/26. The report also includes recommendations to enhance the effective and efficient implementation of budgets and promote best practices. Chapter Five concludes the report.

2. FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION FOR FIRST QUARTER OF FY 2025/26

2.1. Introduction

This chapter presents the financial analysis of the aggregated County budget implementation for the first quarter of FY 2025/26, covering the period from July 2025 to September 2025.

2.2. Revenue Analysis

The combined budgets of the County Governments, approved by the County Assemblies, amounted to Kshs.603.72 billion, comprising Kshs.217.80 billion (36 per cent) allocated to development expenditure and Kshs.385.92 billion (64 per cent) to recurrent expenditure.

Aggregately, County Governments are expected to receive their equitable share of nationally raised revenue for FY 2025/26, amounting to Kshs.415.00 billion. Own Source Revenue is estimated at Kshs.93.06 billion, including Appropriations in Aid (A-i-A) and Facility Improvement Financing (FIF) of Kshs.26.57 billion and ordinary OSR of Kshs.66.50 billion. County Governments projected Additional Allocations of Kshs.68.21 billion, while the unspent balances from FY 2024/25 were projected at Kshs.26.62 billion.

2.2.1 Revenue Outturn

The total funds available to the County Governments in the first quarter of FY 2025/26 amounted to Kshs.107.27 billion. This included Kshs.66.13 billion in the equitable share of revenue raised nationally for FY 2025/26; own-source revenue collection of Kshs.13.94 billion, which includes A-i-A/FIF of Kshs.5.45 billion, and ordinary OSR of Kshs.8.49 billion. The Counties also reported additional allocations of Kshs.874.88 million, with cash balances brought forward from FY 2024/25 of Kshs.26.32 billion.

2.2.2 Own-Source Revenue

During the reporting period, County Governments received a total of Kshs.13.94 billion from their own-source revenue (OSR), which was 15 per cent of the annual target of Kshs.93.89 billion. The realised OSR is higher than the Kshs.12.68 billion received in a similar period in FY 2024/25. An analysis of the own-source revenue collection from July 2025 to September 2025 is shown in Table 2.1

Table 2.1: Own Source Revenue Collection in the First Quarter of FY 2025/26

County	Target (Kshs.Million)			Actual Realised (Kshs.Million)			Performance (%)		
	Ordinary OSR	FIF/ AIA	Total OSR	Ordinary OSR	FIF/AIA	Total OSR	Ordinary OSR	FIF/AIA	Total OSR
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	F=E/B*100	G=F/C*100
Baringo	331.94	320.00	651.94	39.49	96.73	136.22	12	30	21
Bomet	607.50	290.00	897.50	7.29	89.87	97.16	1	31	11
Bungoma	671.06	1,295.07	1,966.13	69.87	172.05	241.91	10	13	12
Busia	399.77	307.50	707.27	35.00	87.12	122.13	9	28	17
Elgeyo-Marakwet	107.43	345.00	452.43	12.14	68.49	80.63	11	20	18
Embu	712.49	600.00	1,312.49	53.30	153.61	206.91	7	26	16
Garissa	198.00	252.00	450.00	13.25	147.26	160.51	7	58	36
Homa Bay	566.18	1,064.91	1,631.09	75.40	246.91	322.32	13	23	20
Isiolo	271.21	104.00	375.21	49.20	16.17	65.37	18	16	17
Kajiado	1,200.00	440.00	1,640.00	109.59	69.89	179.48	9	16	11
Kakamega	957.37	1,242.63	2,200.00	65.80	174.57	240.37	7	14	11
Kericho	870.13	724.25	1,594.38	40.24	23.25	63.49	5	3	4
Kiambu	5,580.00	2,400.00	7,980.00	590.30	330.32	920.61	11	14	12
Kilifi	1,875.71	500.00	2,375.71	253.65	137.17	390.82	14	27	16

County	Target (Kshs.Million)			Actual Realised (Kshs.Million)			Performance (%)		
	Ordinary OSR	FIF/ AIA	Total OSR	Ordinary OSR	FIF/AIA	Total OSR	Ordinary OSR	FIF/AIA	Total OSR
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	F=E/B*100	G=F/C*100
Kirinyaga	454.00	305.00	759.00	47.31	91.76	139.07	10	30	18
Kisii	865.00	1,700.00	2,565.00	76.94	230.20	307.14	9	14	12
Kisumu	965.54	800.00	1,765.54	124.50	60.13	184.63	13	8	10
Kitui	312.35	773.90	1,086.25	34.59	205.80	240.40	11	27	22
Kwale	486.04	400.00	886.04	40.87	37.09	77.96	8	9	9
Laikipia	725.00	626.00	1,351.00	65.48	171.11	236.59	9	27	18
Lamu	147.00	130.00	277.00	55.15	0.00	55.15	38	-	20
Machakos	3,020.88	1,069.90	4,090.78	249.93	192.07	442.00	8	18	11
Makueni	800.00	700.00	1,500.00	64.46	108.74	173.19	8	16	12
Mandera	360.00	322.53	682.53	37.89	37.63	75.52	11	12	11
Marsabit	150.00	120.00	270.00	19.45	22.62	42.06	13	19	16
Meru	796.00	1,025.50	1,821.50	68.71	216.23	284.95	9	21	16
Migori	503.00	257.00	760.00	59.27	84.63	143.90	12	33	19
Mombasa	3,155.14	1,922.79	5,077.93	729.15	407.38	1,136.53	23	21	22
Murang'a	1,018.56	588.10	1,606.67	210.12	0.00	210.12	21	-	13
Nairobi City	19,942.05	1,236.00	21,178.05	1,994.99	412.26	2,407.25	10	33	11
Nakuru	2,400.00	2,175.90	4,575.90	249.14	542.88	792.01	10	25	17
Nandi	684.80	370.37	1,055.17	22.77	49.49	72.26	3	13	7
Narok	6,205.46	202.47	6,407.94	2,147.11	84.69	2,231.81	35	42	35
Nyamira	218.71	650.00	868.71	18.99	77.27	96.26	9	12	11
Nyandarua	675.00	300.00	975.00	44.73	73.54	118.28	7	25	12
Nyeri	800.00	850.00	1,650.00	135.41	127.78	263.19	17	15	16
Samburu	282.37	19.64	302.00	111.74	10.24	121.98	40	52	40
Siaya	2,036.24	1,078.69	3,114.92	49.67	129.03	178.70	2	12	6
Taita-Taveta	669.60	280.00	949.60	71.32	41.27	112.59	11	15	12
Tana River	200.42	4.35	204.77	23.28	0.81	24.09	12	19	12
Tharaka-Nithi	280.00	305.40	585.40	38.64	43.85	82.49	14	14	14
Trans Nzoia	324.97	275.03	600.00	52.17	53.92	106.10	16	20	18
Turkana	221.00	159.00	380.00	29.51	14.17	43.69	13	9	11
Uasin Gishu	1,300.00	0.00	1,300.00	125.65	5.91	131.57	10		10
Vihiga	163.51	208.71	372.22	32.82	45.95	78.77	20	22	21
Wajir	110.00	240.00	350.00	21.82	21.56	43.38	20	9	12
West Pokot	98.15	192.81	290.96	22.78	35.15	57.93	23	18	20
Total	**64,719.59**	**29,174.42**	**93,894.01**	**8,490.87**	**5,448.62**	**13,939.49**	**13**	**19**	**15**

***Source**: County Treasuries*

An analysis of own-source revenue (OSR), including the Facility Improvement Financing (FIF), as a proportion of the annual OSR target reveals that ten Counties achieved an OSR performance of 20 per cent, with three Counties exceeding an average of 25 per cent in the first quarter. These top performers are Samburu County, with an OSR of 40 per cent; Garissa County, 36 per cent; and Narok County, 35 per cent. Key factors contributing to this success include strong performance in tourism-related streams in Samburu and Narok Counties, as well as good FIF performance in Garissa County.

On the other hand, six Counties reported an OSR performance of 10 per cent or lower. These Counties are Uasin Gishu (10 per cent), Kisumu (10 per cent), Kwale (9 per cent), Nandi (7 per cent), Siaya (6 per cent), and Kericho (4 per cent). The low performance in these Counties is largely attributable to poor results in ordinary OSR, except for Kisumu County, which recorded a low FIF performance due to revenue losses associated with the elevation of Jaramogi Oginga Odinga Teaching and Referral Hospital to Level Six, which has since been handed over to the National Government.

For the Counties that have shown improvement, the Controller of Budget encourages them to maintain their commendable performance in the remaining period of FY 2025/26. Conversely, for the Counties whose own-source revenue performance has fallen short, the Controller of Budget recommends that both the Executive and the Assembly conduct a comprehensive review and enhance their revenue strategies for the remainder of FY 2025/26. A detailed analysis of own-source revenue by stream for each County is available in Chapter Three.

2.2.3 Revenue Arrears

As of September 30, 2025, the total outstanding arrears amounted to Kshs.156.23 billion. This figure includes Kshs.113.90 billion in ordinary Own Source Revenue arrears, Kshs.7.05 billion in Facility Improvement Financing arrears, and Kshs.35.28 billion related to the September equitable share. A detailed breakdown of these revenue arrears is presented in Table 2.2.

Table 2.2: Summary of County Governments' Revenue Arrears

County	Arrears as at September 30 2025 (Kshs.Million)			
	Ordinary OSR	FIF	Equitable Share	Total
Baringo	301.75	90.91	602.11	994.77
Bomet	0.00	144.28	633.01	777.30
Bungoma	302.12	358.55	1,006.23	1,666.90
Busia	0.00	0.00	676.31	676.31
Elgeyo-Marakwet	172.06	0.00	468.79	640.84
Embu	0.00	0.00	516.58	516.58
Garissa	0.00	306.58	754.61	1,061.19
Homa Bay	23.27	0.00	734.94	758.21
Isiolo	210.83	0.00	478.67	689.50
Kajiado	11,955.65	198.96	756.01	12,910.62
Kakamega	1,065.31	193.38	1,162.36	2,421.06
Kericho	198.55	0.00	610.19	808.74
Kiambu	5,144.17	466.08	1,111.10	6,721.36
Kilifi	0.00	0.00	1,089.14	1,089.14
Kirinyaga	0.00	0.00	522.89	522.89
Kisii	620.50	383.62	834.68	1,838.79
Kisumu	0.00	0.00	756.67	756.67
Kitui	1,339.70	500.65	977.83	2,818.18
Kwale	158.37	152.05	771.69	1,082.11
Laikipia	739.55	0.00	518.85	1,258.39
Lamu	223.07	0.00	327.90	550.97
Machakos	0.00	458.28	865.23	1,323.51
Makueni	0.00	0.00	762.99	762.99
Mandera	0.00	0.00	1,042.53	1,042.53
Marsabit	0.00	0.00	688.98	688.98
Meru	0.00	0.00	897.09	897.09
Migori	281.35	185.42	755.13	1,221.91
Mombasa	12,418.83	407.90	712.59	13,539.32
Murang'a	41.83	0.00	677.40	719.23
Nairobi	63,950.55	1,238.93	1,820.46	67,009.94
Nakuru	11,469.37	939.80	1,228.69	13,637.86
Nandi	0.00	0.00	660.60	660.60
Narok	141.19	36.52	830.48	1,008.19
Nyamira	0.00	0.00	516.24	516.24
Nyandarua	0.00	0.00	566.33	566.33
Nyeri	654.53	633.55	586.17	1,874.25

County	Arrears as at September 30 2025 (Kshs.Million)			
	Ordinary OSR	FIF	Equitable Share	Total
Samburu	0.00	13.75	538.64	552.39
Siaya	45.11	287.48	659.13	991.71
Taita-Taveta	0.00	0.00	489.64	489.64
Tana River	0.00	0.00	613.91	613.91
Tharaka-Nithi	57.64	57.60	429.95	545.20
Trans Nzoia	0.00	0.00	679.25	679.25
Turkana	0.00	0.00	1,180.87	1,180.87
Uasin Gishu	2,320.05	0.00	763.05	3,083.09
Vihiga	0.00	0.00	510.74	510.74
Wajir	0.00	0.00	893.14	893.14
West Pokot	61.95	0.00	595.21	657.15
Total	**113,897.28**	**7,054.31**	**35,275.00**	**156,226.59**

Source: *County Treasuries*

As of September 30, 2025, Nairobi City County had the highest arrears, totalling Kshs.67.01 billion, which represents 43 per cent of the overall revenue arrears. Mombasa County reported Kshs.13.54 billion in arrears (9 per cent), Nakuru County had Kshs.13.64 billion (9 per cent), and Kajiado County recorded Kshs.12.91 billion (10 per cent). This overall situation regarding arrears underscores persistent challenges in revenue mobilisation, which constrain liquidity.

2.3. Funds Released to the Counties

2.3.1 Funds Released from the Consolidated Fund to the Counties

In the period under review, the CoB approved the transfer of Kshs.66.13 billion as the equitable share of revenue raised nationally from the Consolidated Fund to the various County Revenue Funds (CRFs) per Article 206(4) of the Constitution of Kenya, 2010. Chapter Three provides a detailed analysis of the released equitable share to each County.

2.3.2 Funds Released to the County Operational Accounts

The CoB authorised withdrawals of Kshs.54.25 billion from the County Revenue Funds to the County Operational Accounts, comprising Kshs.50.55 billion (93 per cent) for recurrent expenditure and Kshs.3.70 billion (7 per cent) for development expenditure. This was a decrease from the Kshs.55.11 billion authorised in a similar period in FY 2025/26. Chapter Three provides a detailed analysis of the funds released to each County.

2.4. Expenditure Analysis

In the first quarter of the FY 2025/26, County Governments spent a total of Kshs.55.15 billion, which corresponds to an overall absorption rate of 9 per cent of the total annual budget for County Governments, set at Kshs.603.72 billion. This marks a decrease from an absorption rate of 10 per cent recorded in the same period of FY 2024/25, when total expenditures amounted to Kshs.55.68 billion against a budget of Kshs.576.73 billion.

Recurrent expenditure was Kshs.51.46 billion, accounting for 13 per cent of the annual recurrent budget. A similar 13 per cent performance in recurrent expenditure absorption was observed in the same period of FY 2024/25. Conversely, development expenditure totalled Kshs.3.69 billion, representing an absorption rate of 2 per cent, which is a slight decrease from the 3 per cent reported in the same period in FY 2024/25. Table 2.3 presents an analysis of expenditures by economic classification for the first quarter of FY 2025/26.

Table 2.3: Expenditure by Major Economic Classification in the First Quarter of FY 2025/26

County	Recurrent Expenditure (Kshs.Million)			Development Expenditure (Kshs. Million)	Total Expenditure (Kshs. Million)
	Compensation to Employees	Operations & Maintenance	Total Recurrent Expenditure		
	A	B	C=A+B	D	E=C+D
Baringo	649.94	0.00	649.94	0.00	649.94
Bomet	361.61	272.19	633.80	0.00	633.80
Bungoma	2,019.39	125.11	2,144.50	0.00	2,144.50
Busia	1,015.66	136.69	1,152.35	0.00	1,152.35
Elgeyo-Marakwet	705.83	37.67	743.51	161.04	904.55
Embu	402.09	88.98	491.07	50.40	541.47
Garissa	850.47	79.63	930.10	155.61	1,085.71
Homa Bay	615.67	80.74	696.41	102.34	798.75
Isiolo	467.05	59.93	526.98	191.09	718.07
Kajiado	850.49	196.82	1,047.31	0.00	1,047.31
Kakamega	1,699.71	369.55	2,069.26	180.90	2,250.16
Kericho	378.49	34.53	413.02	0.00	413.02
Kiambu	681.70	910.52	1,592.23	206.67	1,798.90
Kilifi	1,200.01	272.92	1,472.93	0.00	1,472.93
Kirinyaga	435.89	284.16	720.05	201.77	921.82
Kisii	1,475.69	81.46	1,557.14	13.67	1,570.81
Kisumu	1,257.98	61.81	1,319.80	0.00	1,319.80
Kitui	1,773.73	543.63	2,317.36	221.31	2,538.67
Kwale	962.23	89.66	1,051.89	0.00	1,051.89
Laikipia	405.95	29.61	435.56	10.45	446.01
Lamu	349.77	42.93	392.70	10.00	402.70
Machakos	1,524.57	289.31	1,813.88	252.07	2,065.95
Makueni	1,171.51	113.70	1,285.21	179.40	1,464.61
Mandera	1,161.92	318.35	1,480.27	269.15	1,749.42
Marsabit	1,153.07	37.97	1,191.04	122.48	1,313.52
Meru	1,219.24	363.55	1,582.79	265.52	1,848.31
Migori	624.55	272.02	896.57	56.24	952.81
Mombasa	1,127.79	62.01	1,189.80	0.00	1,189.80
Murang'a	772.50	145.62	918.11	181.77	1,099.88
Nairobi	4,791.97	519.15	5,311.12	202.18	5,513.30
Nakuru	1,555.09	176.29	1,731.38	90.09	1,821.47
Nandi	808.40	420.59	1,228.99	37.82	1,266.81
Narok	863.99	79.53	943.52	83.91	1,027.43
Nyamira	591.08	50.24	641.32	142.02	783.34
Nyandarua	254.46	7.00	261.46	78.02	339.48
Nyeri	1,036.40	119.70	1,156.10	14.40	1,170.50
Samburu	525.40	262.67	788.07	41.09	829.16
Siaya	712.40	0.00	712.40	0.00	712.40
Taita-Taveta	368.99	72.77	441.76	102.57	544.33
Tana River	404.88	34.97	439.85	0.00	439.85
Tharaka-Nithi	446.49	40.40	486.89	64.86	551.75
Trans Nzoia	575.92	33.70	609.62	0.00	609.62
Turkana	923.77	0.00	923.77	0.00	923.77

County	Recurrent Expenditure (Kshs.Million)			Development Expenditure (Kshs. Million)	Total Expenditure (Kshs. Million)
	Compensation to Employees	Operations & Maintenance	Total Recurrent Expenditure		
	A	B	C=A+B	D	E=C+D
Uasin Gishu	1,146.17	269.62	1,415.78	0.00	1,415.78
Vihiga	525.00	136.96	661.96	0.00	661.96
Wajir	0.00	0.00	0.00	0.00	0.00
West Pokot	856.53	130.51	987.04	0.00	987.04
Total	**43,701.44**	**7,755.17**	**51,456.61**	**3,688.83**	**55,145.44**

Source: *CoB and County Treasuries*

A review of cumulative expenditures by economic classification revealed that Kshs.43.70 billion (79 per cent) was spent on Compensation to Employees, Kshs.7.76 billion (14 per cent) on Operations and Maintenance, and Kshs.3.69 billion (7 per cent) on Development Expenditures.

2.4.1 Development Expenditure

The County Governments spent Kshs.3.69 billion on development activities, representing an absorption rate of 2 per cent of the annual development budget of Kshs.218.99 billion. Table 2.4 analyses County budget allocations, expenditures, and absorption rates during the period under review.

Table 2.4: County Budget Allocation, Expenditure, and Absorption Rate for the First Quarter of FY 2025/26

County	Budget Estimates (Kshs.Million			Expenditure (Kshs.Million)			Absorption Rate(%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=D/A 100	H=E/B 100	I=F/C 100
Baringo	5,793.60	3,748.43	**9,542.03**	649.94	0.00	**649.94**	11	-	7
Bomet	6,818.55	3,997.23	**10,815.78**	633.80	0.00	**633.80**	9	-	6
Bungoma	10,863.51	5,062.89	**15,926.41**	2,144.50	0.00	**2,144.50**	20	-	13
Busia	6,995.50	3,042.25	**10,037.75**	1,152.35	0.00	**1,152.35**	16	-	11
Elgeyo-Marakwet	3,969.02	4,880.60	**8,849.61**	743.51	161.04	**904.55**	19	3	10
Embu	5,673.12	3,317.13	**8,990.25**	491.07	50.40	**541.47**	9	2	6
Garissa	7,730.03	5,183.14	**12,913.16**	930.10	155.61	**1,085.71**	12	3	8
Homa Bay	8,055.03	4,130.15	**12,185.18**	696.41	102.34	**798.75**	9	2	7
Isiolo	2,158.66	1,243.87	**3,402.53**	526.98	191.09	**718.07**	24	15	21
Kajiado	8,882.07	4,893.40	**13,775.47**	1,047.31	0.00	**1,047.31**	12	-	8
Kakamega	11,927.24	6,226.73	**18,153.96**	2,069.26	180.90	**2,250.16**	17	3	12
Kericho	6,506.27	3,528.69	**10,034.96**	413.02	0.00	**413.02**	6	-	4
Kiambu	15,911.12	7,895.65	**23,806.77**	1,592.23	206.67	**1,798.90**	10	3	8
Kilifi	10,479.03	9,397.48	**19,876.51**	1,472.93	0.00	**1,472.93**	14	-	7
Kirinyaga	5,163.90	2,837.38	**8,001.28**	720.05	201.77	**921.82**	14	7	12
Kisii	11,388.18	7,196.41	**18,584.59**	1,557.14	13.67	**1,570.81**	14	0	8
Kisumu	10,366.33	5,965.19	**16,331.52**	1,319.80	0.00	**1,319.80**	13	-	8
Kitui	9,522.97	4,751.80	**14,274.77**	2,317.36	221.31	**2,538.67**	24	5	18
Kwale	7,960.38	7,867.18	**15,827.56**	1,051.89	0.00	**1,051.89**	13	-	7
Laikipia	4,946.67	4,270.47	**9,217.14**	435.56	10.45	**446.01**	9	0	5
Lamu	3,094.58	1,553.78	**4,648.36**	392.70	10.00	**402.70**	13	1	9
Machakos	10,597.21	4,596.38	**15,193.59**	1,813.88	252.07	**2,065.95**	17	5	14
Makueni	7,609.95	3,932.16	**11,542.11**	1,285.21	179.40	**1,464.61**	17	5	13
Mandera	9,570.93	5,440.74	**15,011.67**	1,480.27	269.15	**1,749.42**	15	5	12
Marsabit	6,656.99	3,672.95	**10,329.94**	1,191.04	122.48	**1,313.52**	18	3	13

County	Budget Estimates (Kshs.Million			Expenditure (Kshs.Million)			Absorption Rate(%)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=D/A 100	H=E/B 100	I=F/C 100
Meru	9,794.27	6,224.56	**16,018.83**	1,582.79	265.52	**1,848.31**	16	4	12
Migori	6,656.34	4,169.47	**10,825.81**	896.57	56.24	**952.81**	13	1	9
Mombasa	10,179.29	4,450.71	**14,630.00**	1,189.80	0.00	**1,189.80**	12	-	8
Murang'a	7,887.83	3,828.92	**11,716.75**	918.11	181.77	**1,099.88**	12	5	9
Nairobi	31,203.19	13,417.70	**44,620.89**	5,311.12	202.18	**5,513.30**	17	2	12
Nakuru	14,924.87	7,472.53	**22,397.40**	1,731.38	90.09	**1,821.47**	12	1	8
Nandi	6,624.96	3,403.82	**10,028.77**	1,228.99	37.82	**1,266.81**	19	1	13
Narok	11,018.82	6,212.24	**17,231.06**	943.52	83.91	**1,027.43**	9	1	6
Nyamira	5,365.31	3,280.99	**8,646.30**	641.32	142.02	**783.34**	12	4	9
Nyandarua	5,833.86	3,592.61	**9,426.48**	261.46	78.02	**339.48**	4	2	4
Nyeri	5,829.63	2,686.21	**8,515.85**	1,156.10	14.40	**1,170.50**	20	1	14
Samburu	5,301.87	2,512.35	**7,814.22**	788.07	41.09	**829.16**	15	2	11
Siaya	6,974.55	5,818.79	**12,793.34**	712.40	0.00	**712.40**	10	-	6
Taita-Taveta	5,220.99	2,628.00	**7,848.99**	441.76	102.57	**544.33**	8	4	7
Tana River	5,639.26	4,325.61	**9,964.87**	439.85	0.00	**439.85**	8	-	4
Tharaka-Nithi	2,511.85	4,258.55	**6,770.40**	486.89	64.86	**551.75**	19	2	8
Trans Nzoia	6,250.62	3,667.04	**9,917.66**	609.62	0.00	**609.62**	10	-	6
Turkana	11,122.99	6,437.48	**17,560.47**	923.77	0.00	**923.77**	8	-	5
Uasin Gishu	7,132.71	3,048.31	**10,181.02**	1,415.78	0.00	**1,415.78**	20	-	14
Vihiga	4,751.44	2,161.19	**6,912.63**	661.96	0.00	**661.96**	14	-	10
Wajir	8,711.73	5,282.65	**13,994.38**	0.00	0.00	**0.00**	-	-	-
West Pokot	5,681.27	2,947.01	**8,628.28**	987.04	0.00	**987.04**	17	-	11
Total	**383,258.48**	**220,458.81**	**603,717.29**	**51,456.61**	**3,688.83**	**55,145.44**	**13**	**2**	**9**

Source: CoB and County Treasuries

An analysis of development expenditures reveals that the County Governments with the highest absorption rates were: Isiolo at 15 per cent, Kirinyaga at 7 per cent, and Machakos, Mandera, Murang'a, Kitui, and Makueni, all at 5 per cent. Worth noting is that Isiolo is operating on a Vote-on-Account. In contrast, 20 County Governments reported zero development expenditure absorption levels during the review period. Chapter Three provides a detailed analysis of the implementation of development expenditures in these Counties.

2.4.2 Recurrent Expenditure

Counties collectively spent Kshs.51.47 billion on recurrent expenditure, accounting for 93 per cent of their total expenditure. This amount represented 13 per cent of the annual recurrent budget for County Governments. Five Counties demonstrated strong recurrent absorption rates of 20 per cent or more: Isiolo (24 per cent), Kitui (24 per cent), Uasin Gishu (20 per cent), Nyeri (20 per cent), and Bungoma (20 per cent). Notably, Isiolo is operating on a Vote-on-Account basis. Conversely, 14 County Governments reported recurrent performance levels of 10 per cent or lower, as shown in Table 2.4. Chapter Three provides a detailed analysis of recurrent expenditure by County.

2.4.3 Review of MCA Sitting Allowances

County Assemblies spent Kshs.289.6 million on MCAs' sitting allowances against an approved budget of Kshs.2.00 billion during the reporting period. This reflects a low absorption rate of 14 per cent, signalling weak execution of the approved spending plans. Table 2.5 shows the budgetary allocation and expenditure on MCAs' and Speakers' sitting allowances for the first quarter of FY 2025/26.

Table 2.5: MCA's Budget Allocation, Expenditure and Absorption Rate for the First Quarter of FY 2025/26

County	Budget (Kshs.)	Expenditure (Kshs.)	Absorption (%)	No. of MCAs	Average monthly sitting allowances per MCA (Kshs.)
	A	B	C=B/A100	D	E=B/D/3
Baringo	50,784,000	7,198,300	14	46	52,162
Bomet	35,942,400	6,796,100	19	39	58,086
Bungoma	51,228,800	17,213,164	34	63	91,075
Busia	70,807,400	8,789,300	12	54	54,255
Elgeyo-Marakwet	30,308,736	6,788,500	22	34	66,554
Embu	27,916,000	2,804,500	10	31	30,156
Garissa	78,304,000	-	-	48	-
Homa Bay	45,676,800	8,383,700	18	55	50,810
Isiolo	5,251,879	2,509,800	48	18	46,478
Kajiado	32,000,000	3,938,000	12	42	31,254
Kakamega	154,871,600	13,247,750	9	89	49,617
Kericho	29,305,708	3,281,782	11	48	22,790
Kiambu	75,000,000	20,345,900	27	89	76,202
Kilifi	64,000,000	7,403,500	12	56	44,068
Kirinyaga	62,832,946	2,494,900	4	32	25,989
Kisii	65,000,710	11,763,000	18	71	55,225
Kisumu	45,907,664	12,935,255	28	48	89,828
Kitui	40,186,692	11,133,400	28	61	60,838
Kwale	24,814,300	4,690,500	19	31	50,435
Laikipia	20,968,000	306,800	1	22	4,648
Lamu	15,232,000	1,986,600	13	19	34,853
Machakos	50,000,000	11,000,000	22	60	61,111
Makueni	43,692,800	6,759,333	15	48	46,940
Mandera	30,000,000	-	-	51	-
Marsabit	30,000,000	8,724,300	29	33	88,124
Meru	71,043,600	-	-	70	-
Migori	44,330,000	4,004,000	9	60	22,244
Mombasa	35,881,608	8,457,600	24	43	65,563
Murang'a	38,937,600	5,427,363	14	48	37,690
Nairobi	70,000,000	12,651,600	18	124	34,010
Nakuru	53,000,000	-	-	76	-
Nandi	28,828,800	14,102,527	49	45	104,463
Narok	35,113,760	5,748,300	16	50	38,322
Nyamira	41,184,012	5,762,900	14	34	56,499
Nyandarua	36,855,000	2,695,300	7	42	21,391
Nyeri	18,000,000	5,855,000	33	43	45,388
Samburu	31,000,000	7,923,964	26	25	105,653
Siaya	29,745,100	4,374,700	15	45	32,405
Taita-Taveta	8,236,800	5,890,300	72	32	61,357
Tana River	34,611,200	8,022,600	23	27	99,044
Tharaka-Nithi	27,899,124	2,146,086	8	24	29,807
Trans Nzoia	42,432,000	-	-	34	-
Turkana	60,373,202	-	-	48	-
Uasin Gishu	39,918,400	4,897,100	12	44	37,099
Vihiga	30,680,000	3,849,600	13	38	33,768

County	Budget (Kshs.)	Expenditure (Kshs.)	Absorption (%)	No. of MCAs	Average monthly sitting allowances per MCA (Kshs.)
Wajir	38,610,000	-	-	46	-
West Pokot	7,625,000	7,311,200	96	33	73,851
Total	**2,004,337,641**	**289,614,524**	**14**	**2,219**	**2,090,054**

Source: County Treasuries

Expenditure performance on MCAs' sitting allowances varied significantly across Counties, with West Pokot, Taita-Taveta, and Nandi registering high utilisation levels, while Laikipia, Kirinyaga, and Nyandarua recorded minimal absorption, and seven Counties reported no expenditure despite budget provisions.

2.4.4 Trade Payables as of September 30 2025

A pending bill is an unsettled financial obligation at the end of a financial year. It arises when an entity fails to settle invoiced amounts for goods and services that were adequately procured, delivered, or rendered at the end of the financial year.

As of September 30, 2025, County Governments reported outstanding trade payables totalling Kshs.177.47 billion. This amount includes Kshs.125.67 billion for recurrent activities and Kshs.51.79 billion for development activities. The trade payables for the County Executive as of this date were Kshs.171.92 billion, while the trade payables for the Assemblies amounted to Kshs.5.55 billion. Table 2.6 shows more details on trade payables.

Table 2.6: Trade Payables for the Counties as of September 30 2025

County	County Executive (Kshs.Million)			County Assembly (Kshs.Million)			Grand Total (Kshs. Million)	FY 2025/26 Budget (Kshs. Million)	% of Pending Bill to Budget
	Rec	Dev	Sub-Total	Rec	Dev	Sub-Total			
Baringo	178.30	217.32	**395.62**	81.53	0.00	**81.53**	**477.14**	9,542.03	5
Bomet	599.97	857.40	**1,457.37**	20.06	45.81	**65.87**	**1,523.24**	10,815.78	14
Bungoma	2,009.64	2,242.94	**4,252.58**	1.72	0.00	**1.72**	**4,254.30**	15,926.41	27
Busia	1,382.34	1,258.90	**2,641.24**	620.48	0.00	**620.48**	**3,261.73**	10,037.75	32
Elgeyo-Marakwet	8.42	9.07	**17.49**	0.00	0.00	**0.00**	**17.49**	8,849.61	0
Embu	635.09	848.48	**1,483.56**	20.29	0.00	**20.29**	**1,503.85**	8,990.25	17
Garissa	746.45	1,521.83	**2,268.29**	116.26	45.00	**161.26**	**2,429.55**	12,913.16	19
Homa Bay	244.08	1,248.31	**1,492.39**	119.01	200.70	**319.71**	**1,812.10**	12,185.18	15
Isiolo	1,093.16	8.85	**1,102.00**	5.81	8.09	**13.91**	**1,115.91**	3,402.53	33
Kajiado	1,205.75	1,443.77	**2,649.52**	60.86	69.58	**130.44**	**2,779.95**	13,775.47	20
Kakamega	797.53	943.17	**1,740.71**	521.35	163.84	**685.19**	**2,425.90**	18,153.96	13
Kericho	661.29	1,367.00	**2,028.30**	0.00	13.21	**13.21**	**2,041.50**	10,034.96	20
Kiambu	3,244.52	3,014.57	**6,259.09**	184.68	31.21	**215.88**	**6,474.97**	23,806.77	27
Kilifi	4,226.17	5,367.39	**9,593.56**	105.62	0.00	**105.62**	**9,699.18**	19,876.51	49
Kirinyaga	389.11	375.98	**765.08**	0.00	0.00	**0.00**	**765.08**	8,001.28	10
Kisii	510.33	394.63	**904.96**	8.44	35.69	**44.13**	**949.09**	18,584.59	5
Kisumu	2,317.92	1,323.94	**3,641.87**	12.08	0.00	**12.08**	**3,653.95**	16,331.52	22
Kitui	366.92	168.97	**535.89**	0.00	0.00	**0.00**	**535.89**	14,274.77	4
Kwale	612.78	689.86	**1,302.64**	2.63	361.41	**364.04**	**1,666.68**	15,827.56	11
Laikipia	403.83	1,070.70	**1,474.53**	20.77	3.99	**24.76**	**1,499.29**	9,217.14	16
Lamu	0.00	18.51	**18.51**	0.00	0.00	**0.00**	**18.51**	4,648.36	0
Machakos	3,050.40	2,512.43	**5,562.83**	239.45	1.94	**241.39**	**5,804.22**	15,193.59	38
Makueni	183.04	98.65	**281.69**	119.86	0.00	**119.86**	**401.54**	11,542.11	3
Mandera	802.27	1,305.67	**2,107.93**	6.07	0.00	**6.07**	**2,114.01**	15,011.67	14
Marsabit	0.00	700.16	**700.16**	3.37	150.55	**153.93**	**854.09**	10,329.94	8
Meru	592.03	634.66	**1,226.68**	60.02	0.00	**60.02**	**1,286.70**	16,018.83	8
Migori	475.87	323.26	**799.13**	184.56	36.36	**220.92**	**1,020.05**	10,825.81	9

County	County Executive (Kshs.Million)			County Assembly (Kshs.Million)			Grand Total (Kshs. Million)	FY 2025/26 Budget (Kshs. Million)	% of Pending Bill to Budget
	Rec	Dev	Sub-Total	Rec	Dev	Sub-Total			
Mombasa	1,911.76	1,310.75	**3,222.51**	32.21	0.00	**32.21**	**3,254.71**	14,630.00	22
Murang'a	1,216.92	333.36	**1,550.28**	72.27	0.00	**72.27**	**1,622.55**	11,716.75	14
Nairobi	75,274.81	6,967.25	**82,242.06**	650.60	0.00	**650.60**	**82,892.66**	44,620.89	186
Nakuru	1,816.44	577.45	**2,393.90**	157.98	0.00	**157.98**	**2,551.87**	22,397.40	11
Nandi	379.49	613.74	**993.22**	0.00	0.00	**0.00**	**993.22**	10,028.77	10
Narok	3,773.58	1,655.83	**5,429.41**	0.00	0.00	**0.00**	**5,429.41**	17,231.06	32
Nyamira	350.01	331.23	**681.24**	0.00	8.18	**8.18**	**689.42**	8,646.30	8
Nyandarua	576.52	787.01	**1,363.53**	168.59	0.05	**168.64**	**1,532.16**	9,426.48	16
Nyeri	322.46	19.90	**342.36**	0.00	0.00	**0.00**	**342.36**	8,515.85	4
Samburu	200.79	231.05	**431.83**	17.87	7.72	**25.59**	**457.42**	7,814.22	6
Siaya	1,057.04	832.93	**1,889.97**	81.85	0.00	**81.85**	**1,971.81**	12,793.34	15
Taita-Taveta	1,364.44	750.67	**2,115.11**	22.31	0.00	**22.31**	**2,137.42**	7,848.99	27
Tana River	1,293.18	1,060.06	**2,353.25**	0.00	0.00	**0.00**	**2,353.25**	9,964.87	24
Tharaka-Nithi	433.48	185.44	**618.91**	117.63	13.88	**131.50**	**750.42**	6,770.40	11
Trans Nzoia	1,083.87	1,486.13	**2,570.00**	0.00	0.00	**0.00**	**2,570.00**	9,917.66	26
Turkana	128.37	442.66	**571.03**	29.06	121.46	**150.52**	**721.55**	17,560.47	4
Uasin Gishu	1,238.53	199.65	**1,438.18**	107.13	0.00	**107.13**	**1,545.31**	10,181.02	15
Vihiga	746.00	492.35	**1,238.35**	4.04	0.00	**4.04**	**1,242.39**	6,912.63	18
Wajir	1,324.09	2,155.04	**3,479.14**	233.51	0.00	**233.51**	**3,712.65**	13,994.38	27
West Pokot	215.33	74.97	**290.30**	18.47	0.00	**18.47**	**308.77**	8,628.28	4
Total	**121,444.31**	**50,473.87**	**171,918.19**	**4,228.41**	**1,318.68**	**5,547.09**	**177,465.28**	**603,717.29**	**29**

Source: County Treasuries

Several County Governments did not adhere to their scheduled payment plans for outstanding bills (refer to Chapter Three for more details). According to Regulation 55(2)(b) of the Public Finance Management (County Governments) Regulations, 2015, County Governments should prioritise the settlement of all eligible trade payables in the budget as a first charge for the FY 2025/26.

An analysis of the aged trade payables for County Governments as of September 30, 2025, revealed that the outstanding bills amount to Kshs.46.83 billion (26 per cent) under one year, Kshs.24.12 billion (14 per cent) for bills aged between one and two years, Kshs.19.62 billion (11 per cent) for bills aged between two and three years, and Kshs.85.15 billion (48 per cent) for bills older than three years. A summary of this ageing analysis is presented in Table 2.7.

Table 2.7: County Governments Trade Payables Ageing Analysis as of September 30 2025

	Ageing analysis (Amount in Kshs.Millions)				Total (Kshs.Millions)
	Under one year	1-2 years	2-3 years	Over 3 years	
Baringo	463,230,163	16,000	4,771,711	9,126,673	**477,144,547**
Bomet*	1,054,547,078	64,555,797	189,931,137	214,206,872	**1,523,240,884**
Bungoma	1,835,687,062	965,706,969	438,694,660	1,014,210,029	**4,254,298,720**
Busia	1,337,767,212	1,070,655,346	277,851,737	575,450,706	**3,261,725,001**
Elgeyo-Marakwet	15,292,943	-	2,199,999	-	**17,492,942**
Embu	293,506,685	366,745,733	2,990,011	840,608,584	**1,503,851,013**
Garissa	924,238,657	321,709,022	411,885,240	771,717,008	**2,429,549,928**
Homa Bay	487,816,088	813,469,851	339,829,827	170,985,682	**1,812,101,448**
Isiolo*	392,023,523	352,973,865	322,508,302	51,193,512	**1,118,699,202**
Kajiado	929,877,568	847,020,753	190,891,712	812,164,056	**2,779,954,089**
Kakamega*	221,201,268	247,784,131	42,625,604	173,580,950	**2,425,897,895**
Kericho	-	1,679,894,915	361,607,420	-	**2,041,502,335**

	Ageing analysis (Amount in Kshs.Millions)				Total (Kshs.Millions)
	Under one year	1-2 years	2-3 years	Over 3 years	
Kiambu	2,313,677,856	973,303,617	69,537,777	3,118,452,203	**6,474,971,453**
Kilifi	2,401,722,988	4,071,815,511	1,819,568,227	1,406,069,193	**9,699,175,919**
Kirinyaga	357,920,903	34,121,509	373,042,485	-	**765,084,897**
Kisii	650,432,505	187,556,692	62,051,410	49,045,309	**949,085,915**
Kisumu	1,566,608,281	713,981,079	612,574,629	760,784,192	**3,653,948,181**
Kitui	429,438,880	57,379,495	15,432,960	33,635,507	**535,886,842**
Kwale	1,363,984,591	144,774,808	157,923,892	-	**1,666,683,290**
Laikipia	50,851,895	248,141,945	274,902,978	925,394,635	**1,499,291,453**
Lamu	16,347,042	2,160,815	-	-	**18,507,857**
Machakos	1,692,743,390	1,031,444,466	567,261,216	2,512,773,677	**5,804,222,749**
Makueni	329,240,925	28,900,539	41,416,148	1,986,172	**401,543,784**
Mandera*	852,971,939	-	1,261,035,109	-	**2,114,007,048**
Marsabit	80,180,890	74,945,924	156,772,314	542,191,457	**854,090,585**
Meru	742,051,508	323,512,322	142,235,278	78,903,423	**1,286,702,531**
Migori	355,578,528	202,128,558	342,776,630	119,565,716	**1,020,049,432**
Mombasa	164,930,514	2,549,009	-	3,087,234,206	**3,254,713,729**
Murang'a*	990,601,738	318,800	18,765,709	612,820,277	**1,622,506,524**
Nairobi	8,943,418,848	3,509,969,636	8,058,971,289	62,380,295,585	**82,892,655,358**
Nakuru	849,108,166	875,622,241	188,516,794	638,627,082	**2,551,874,283**
Nandi*	-	982,098,793	-	3,023,112	**985,121,905**
Narok	5,164,413,530	-	-	265,000,000	**5,429,413,530**
Nyamira*	348,920,328	191,250,403	45,495,558	103,751,978	**689,418,267**
Nyandarua	1,313,891,457	147,644,724	14,089,753	56,537,430	**1,532,163,364**
Nyeri	186,505,459	71,700,050	4,939,830	79,214,288	**342,359,627**
Samburu	338,722,894	66,879,723	8,579,518	43,439,141	**457,621,276**
Siaya	1,747,912,692	149,733,581	41,452,810	32,715,241	**1,971,814,324**
Taita-Taveta	171,444,416	473,780,689	1,183,099,906	309,097,649	**2,137,422,660**
Tana River*	794,602,152	521,103,376	533,142,147	504,399,611	**2,353,247,286**
Tharaka-Nithi*	398,710,865	85,707,418	54,213,009	211,783,926	**750,415,218**
Trans Nzoia	696,803,467	1,423,077,487	450,118,576	-	**2,569,999,530**
Turkana	-	150,524,461	-	571,028,763	**721,553,224**
Uasin Gishu	862,471,010	233,597,212	406,923,869	42,319,198	**1,545,311,289**
Vihiga	598,374,273	362,284,989	115,061,200	166,668,649	**1,242,389,111**
Wajir	2,013,962,828	30,873,834	11,569,289	1,656,242,322	**3,712,648,273**
West Pokot	81,435,127	15,442,300	2,230,548	209,660,270	**308,768,245**
Total	**46,825,170,132**	**24,118,858,388**	**19,619,488,217**	**85,155,904,284**	**177,460,126,963**

N/B: Counties marked with an asterisk (*) have discrepancies between the trade payables data submitted as of September 30, 2025, in Table 2.6 and Table 2.7. Reasons range from non-submission of ageing analysis by one arm of the County Government, or inconsistent data submission

Source: County Treasuries

2.4.5 County-Established Funds

Section 116 of the Public Finance Management (PFM) Act 2012 permits County Governments to establish additional public funds, provided that these are approved by both the County Executive Committee and the County Assembly. According to Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations 2015, County Governments can create public funds with a lifespan of up to 10 years, unless the County Assembly extends this period. In the review period, the Controller of Budget (CoB) noted, as indicated

in Table 2.8, seventy-nine pieces of fund legislation that have either lapsed or are nearing lapsing in accordance with Regulation 197(1)(i) of the PFM (County Governments) Regulations.

Table 2.8: County Established Funds that have Lapsed or are nearing Lapsing

County	Fund Name	Year of Establishment
Baringo	Baringo County SME Fund	2014
	Baringo County Bursary Funds	2014
	Baringo County Youth and Women Fund	2014
	Baringo County Corporate Development Fund	2014
	Baringo County PWD Fund	2014
	Baringo County Lake Bogoria Grants	2014
	County Assembly Car and Mortgages Fund	2014
Bomet	Bomet County Executive Car Loan and Mortgage Fund	2014
Bungoma	Scholarship and Other Educational Benefits	2014
	Trade Loan	2014
	Women Empowerment Funds	2015
	Youth Empowerment Fund	2015
	MCA Car Loan and Mortgage Scheme Fund	2014
Busia	Agriculture Development Fund	2015
	Bursaries and Scholarships	2014
	Cooperative Enterprise Funds	2015
Embu	Embu County Education Support Fund	2015
	Embu County Youth Trust Funds	2015
Garissa	Bursary Fund	2014
	Sme Funds	2015
Homa Bay	Homabay County Bursary Fund	2015
	Homabay County Alcohol Drinks Control Funds	2015
Isiolo	Bursary Funds	2015
Kajiado	Liquor Fund	2014
Kakamega	Kakamega County Alcohol and Drugs Control Fund	2014
	County Assembly Car Loan and Mortgage	2014
Kericho	Kericho County Car Loan	2015
	Kericho County Mortgage Fund	2015
	Kericho County Bursary Fund	2014
	Kericho County Assembly Staff Car Loan and Mortgage Fund	2014
	Kericho County Assembly Members' Car Loan and Mortgage Fund	2014
Kiambu	Kiambu County Executive Car Loan and Mortgage Scheme Fund	2015
	Kiambu County Assembly Car Loan and Mortgage Scheme Fund	2014
Kilifi	Kilifi County Ward Scholarship Fund	2013
Kirinyaga	Kirinyaga County Emergency Fund	2015
Kisii	Health Fund	2014
Kisumu	Kisumu County Busary Fund	2014
	Kisumu County Assembly Car Loan and Mortgage Fund	2014
Kitui	Kitui County Executive Mortgage (Staff) Scheme Fund	2015
	Kitui County Education Bursary (Pro-Poor)	2014
	Kitui County Assembly Service Board Employees Car Loan And Mortgage Fund	2015
	Kitui County Car Loan and Mortgages (Members' Scheme Funds)	2015

County	Fund Name	Year of Establishment
Laikipia	Car Loan and Mortgage Scheme Fund	2014
	Laikipia County Education Fund	2014
Machakos	Machakos Education Fund	2014
	Machakos County Executive Mortgage and Car Loan Scheme	2015
	Machakos County Housing and Car Loan Scheme Fund -MCA	2014
Makueni	Makueni County Empowerment Fund	2015
	Makueni County Emergency Fund	2015
Mandera	Education Bursary Program	2014
Marsabit	Emergency Fund	2014
	Car Loan Executive	2014
	Mortage Executive	2014
	Enterprise Fund	2014
	Marsabit County Assembly Car Loan and Mortgages -Members	2014
Meru	Meru County Executive Staff Housing	2015
	County Assembly of Meru, Staff Car Loan and Housing Scheme Fund	2015
Migori	Migori County Executive Education Bursary Fund	2014
	Migori County Scholarship and Educational Benefit Funds	2014
	Migori County Car Assembly, Car Loan, And House Mortgage Fund Scheme	2015
Muranga	County Assembly Car and Mortgage Fund	2014
Nakuru	Nakuru County Bursary Fund	2014
	Nakuru County Assembly Car Loan, Grant and Mortgage Scheme Fund	2014
Narok	Narok County Alcoholic Drinks Control and Regulation Fund	2013
Nyamira	Car Loan and Mortgage Fund	2015
Siaya	Siaya County Bursary Fund	2013
	Siaya County Assembly Car Loan and Mortgage Fund	2015
Tana River	Bursary Fund	2014
	County Assembly Car Loan and Mortgage Fund	2014
Transzoia	Elimu Bursary Fund	2014
	Nawiri Fund	2015
	Car Loan and Mortgage Scheme Fund (Members and Staff)	2014
Turkana	Turkana County Biashara Fund	2014
	Turkana County Education Fund	2014
	Youth Women and Women's Fund	2014
	Turkana County Cooperative Enterprise Fund	2014
	Turkana County Assembly Car Loan and Mortgage (Member Scheme Fund	2014
Vihiga	Vihiga County Bursary Fund	2014
West Pokot	Bursary and Infrastructure Fund	2014

Source: *County Treasuries*

3. BUDGET PERFORMANCE BY COUNTY GOVERNMENT

3.1. County Government of Baringo

3.1.1 Overview of FY 2025/26 Budget

The Baringo County Approved Budget for FY 2025/26 is Kshs.9.54 billion. It comprises Kshs 3.75 billion (39 per cent) and Kshs.5.79 billion (61 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.1.3 billion (16 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.4 billion and a recurrent budget of Kshs.5.7 billion. The increase in the budget was primarily attributed to the rise in own-source revenue.

The Baringo County budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.7 billion (73 per cent), additional allocations of Kshs.461 million (5 per cent), a cash balance of Kshs.1.3 billion (14 per cent) brought forward from FY 2024/25, and Kshs.737 million (7 per cent) to be received as own-source revenue. The own-source revenue includes Kshs.320 million (3 per cent) as Facility Improvement Fund (revenue from health facilities),Kshs.331.9 million (3 per cent) as ordinary own-source revenue and Kshs.85.8 million(1 per cent) as other revenues(municipality). A breakdown of the additional allocations is shown in Table 3.1.

3.1.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.64 billion in revenue. This amount represented an increase of 27 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.19 billion. The total revenue consisted of Kshs.1.13 billion from the equitable share of revenue raised nationally, own-source revenue (OSR) collection of Kshs.136.22 million. Additionally, the County had a cash balance of Kshs.366.14 million from FY 2024/25. The total OSR collection of Kshs.136.22 million included the Facilities Improvement Fund (FIF) of Kshs.96.73 million, Ksh.6.76 million as other revenues(municipality) and Kshs.39.31 million from other OSR sources. Table 3.1 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.1: Baringo County, Revenue Performance in FY 2025/26

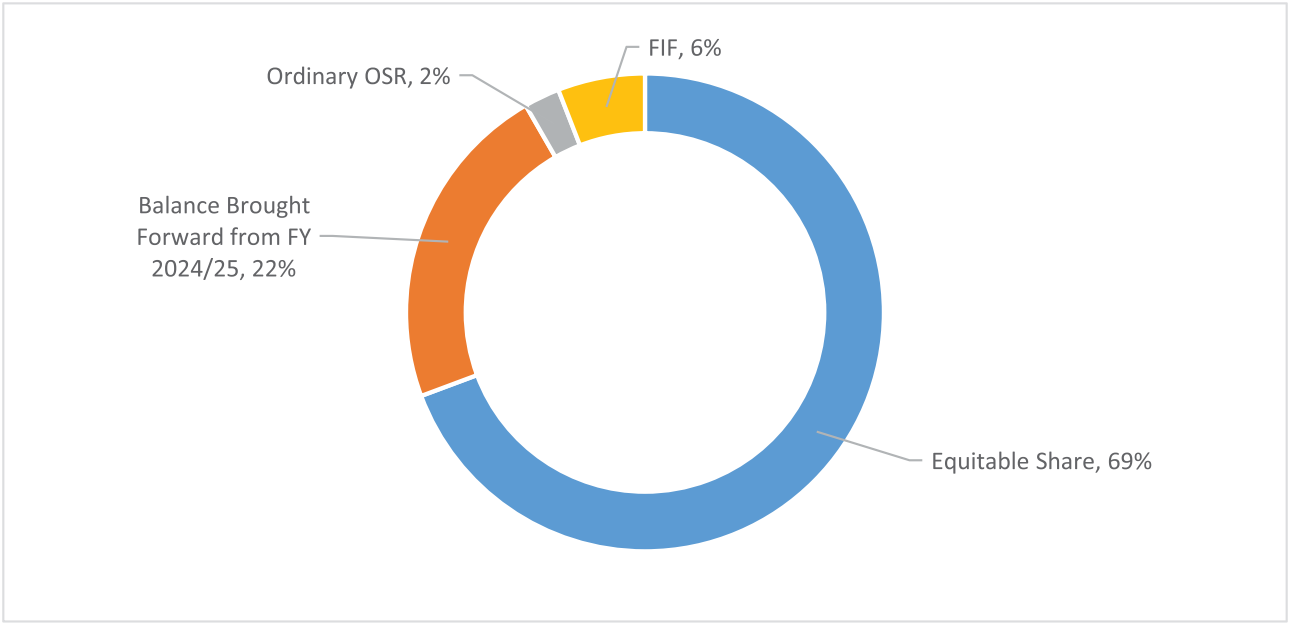
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue(Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	7,002,310,782	1,134,823,811	**16**
Subtotal		**7,002,310,782**	**1,134,823,811**	**16**
C	**Additional Allocations**			
1	KDSP Level ii recurrent	37,500,000	0	-
2	KDSP Level ii Development	352,500,000	0	-
3	Road Maintenance levy Fund (RMLF)	71,309,824	0	-
Subtotal		**461,309,824**		
D	**Ordinary Own Source Revenue (OSR)**			
1	Ordinary Own Source Revenue	331,939,770	39,314,726.34	12
Subtotal		**331,939,770**	**39,314,726.34**	**12**
E	**Facility Improvement Fund (FIF)**			
1	SHIF		37,806,821	
2	Defunct NHIF		47,367,333.80	
3	Facility Improvement Fund	320,000,000	11,556,519	4
Subtotal		**320,000,000**	**96,730,673.80**	**17**

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue(K-shs.)	Actual Revenue as Percentage of Budget Allocation (%)
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	1,340,686,287.01	272,978,952.60	20
2	County Executive Refunds to CRF		92,523,912.65	-
3	County Assembly Refunds to CRF		638,770.40	-
Subtotal		**1,340,686,287.01**	**366,141,635.65**	**27**
H	**Other Sources of Revenue**			
1	Kabarnet Municipality	85,779,445	6,756,852.40	8
Sub-Total		**85,779,445**	**6,756,852.40**	**8**
Grand Total		**9,542,026,108.01**	**1,601,137,099.19**	**17**

Source: *Baringo County Treasury*

The County has governing legislation on the operation of the facility improvement fund. Figure 1 provides a detailed breakdown of revenue, showing a breakdown of each shilling received.

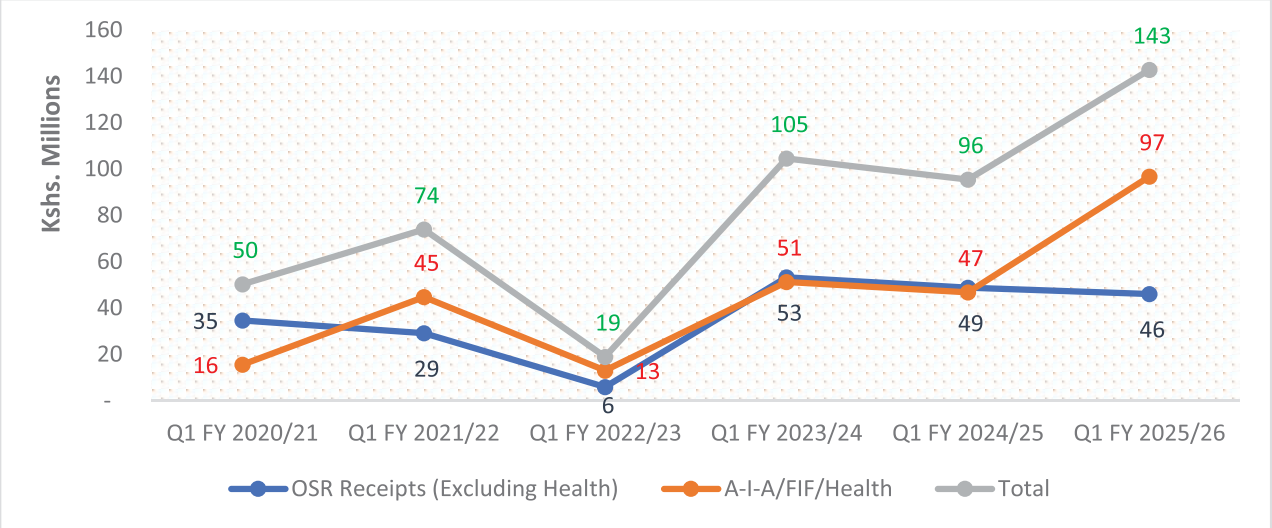
Figure 1: Baringo County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Baringo County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 69 per cent, 22 per cent, and 6 per cent, respectively, of the total receipts for the reporting period. Figure 2 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

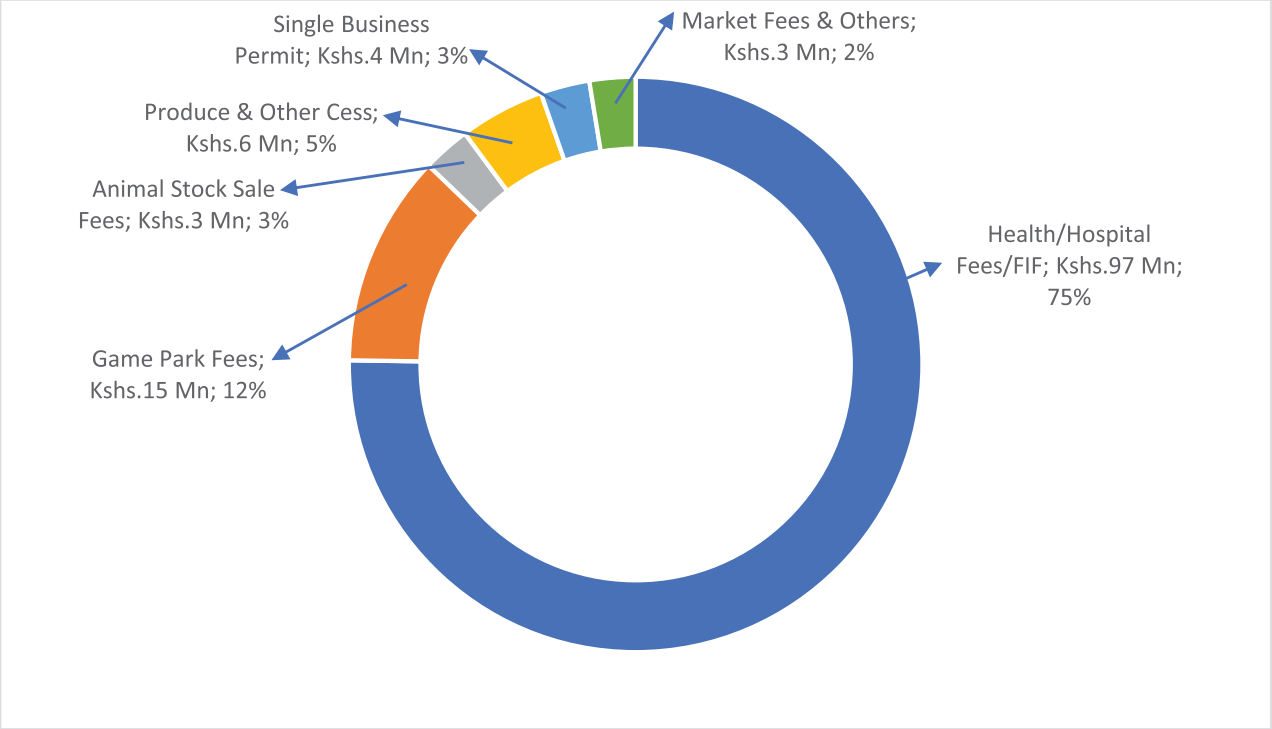
Figure 2: Baringo County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Baringo County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.142.98 million from its revenue sources, including FIF. This amount was an increase of 50 per cent compared to Kshs.95.50 million realised in a similar period in FY 2024/25, and was 21 per cent of the annual target and 12 per cent of the equitable revenue share disbursed. The increase in OSR was attributed to automation and systems reforms, especially in hospitals, markets and cess collection points. The revenue streams which contributed the highest OSR receipts are shown in Figure 3.

Figure 3: Baringo County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Baringo County Treasury

As shown in Figure 3, the highest revenue stream, at Kshs.97 million, was from hospital revenue accounting for 75 per cent of the total OSR receipts. The County Government indicated that it has automated all revenue streams.

3.1.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.430.47 million. Table 3.2 presents a breakdown of the County's revenue arrears.

Table 3.2: Baringo County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Ordinary Own Sources of Revenue**	301,747,163				301,747,163
1	Own Source Revenue	301,747,163	0	0	0	301,747,163
	Sub-Total	**301,747,163**	**0**	**0**	**0**	**301,747,163**
B	**Facility Improvement Fund (FIF)**					
1	SHIF	61,348,899	-	37,806,821	-	23,542,078
2	Defunct NHIF	67,371,095	-	-	-	67,371,095
3	Insurance Companies					
	Sub-Total	**128,719,994**	**-**	**37,806,821**	**-**	**90,913,173**
Total		**430,467,157**	**-**	**37,806,821**	**-**	**392,660,336**

Source: Baringo *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.392.66 million, comprising Kshs.301.74 for ordinary source revenue (76 per cent) and facility improvement fund of Kshs.90.91 million (23 per cent). The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include waivers.

3.1.4 Borrowing by the County

The County government did not borrow any amount during the Quarter.

3.1.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.688.54 million from the CRF account during the reporting period, which comprised Kshs.688.54 million (100 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.649.94 million was towards employee compensation and Kshs.18.60 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 5 per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.0.94 million for County Assembly.

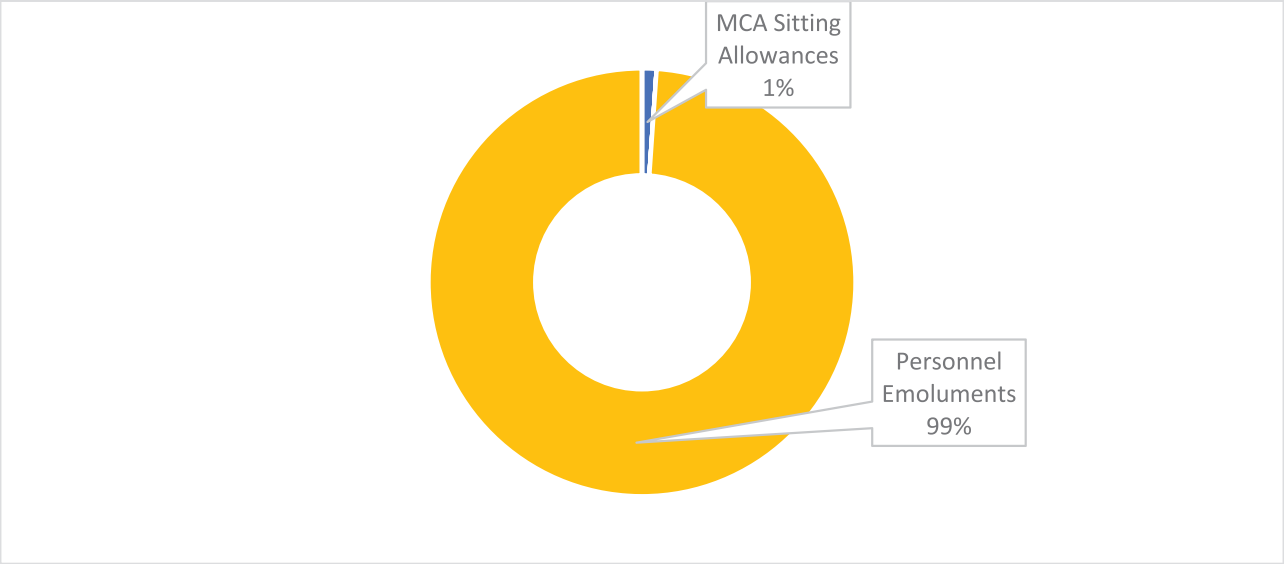
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.952.7 million.

3.1.6 Expenditure Review

The County spent Kshs.649.94 million on recurrent programmes in the reporting period. The expenditure represented 97 per cent of the total funds released by the CoB. It comprised Kshs.649.94 million for recurrent programmes. Expenditure on recurrent expenditure represented 11 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 4: Baringo County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Baringo *County Treasury*

As shown in Figure 4, the highest expenditure category is personnel emoluments, accounting for 99 per cent of the total expenditure for the reporting period.

3.1.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.477.14 million. This amount included Kshs.395.6 million from the County Executive and Kshs.81.53 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.178.30 million for recurrent expenditures and Kshs.217.31 million for development expenditures, while the County Assembly had Kshs.81.53 million as recurrent expenditure. The Executive and Assembly did not settle any trade payables during the period. Therefore, the outstanding bills were Kshs.477.14 million as of 30 September 2025. Table 3.3 provides additional details of trade payables.

However, there are variances on trade payables figures as earlier submitted to Controller of Budget and trade payables as reported in the financial statement for County Executive and Assembly respectively.

Table 3.3: Baringo County Trade Payables as of 30th September 2025

	Trade Payables as of 1 July 2025 (Kshs.)	Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding trade payables as of 30 September 2025 (Kshs.)
	A	B	C	D=A-C
County Executive				
Recurrent	178,302,220			178,302,220
Development	217,316,203			217,316,203
Total	**395,618,423**			**395,618,423**
County Assembly				
Recurrent	81,526,122.61			81,526,122.61
Development				
Total	**81,526,122.61**			**81,526,122.61**
Grand Total	**477,144,545.16**			**477,144,545.16**

Source: *Baringo County Treasury*

The Executive and Assembly did not settle any trade payables during the period. Therefore, the outstanding bills were Kshs.477.14 million as of 30 September 2025. Table 3.4 and Table 3.5 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.395.61 million and Kshs.81.53 million.

Table 3.4: Baringo County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**210,694,745**		**4,771,710.98**	**1,849,746.90**	**217,316,202.88**
Recurrent Trade Payables (Goods & Services)	139,340,594.82	16,000		7,276,925	146,633,520
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	31,668,699.85				31,668,700
Recurrent Trade Payables (Staff Claims)					-
Total Recurrent Trade Payables	**171,009,295**	**16,000**	-	**7,276,925**	**178,302,220**
Total Trade Payables	**381,704,040**	**16,000**	**4,771,710.98**	**9,126,672.90**	**395,618,423.88**
% of Total	**96%**	**%**	**1%**	**2%**	**100%**

Source: *Baringo County Treasury*

Table 3.5: Baringo County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables					
Recurrent Trade Payables (Goods & Services)	40,438,224				40,438,224
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	16,513,899				16,513,899
Recurrent Trade Payables (Staff Claims)	24,574,000				24,574,000
Total Recurrent Trade Payables	**81,526,123**	-	-	-	**81,526,123**
Total Trade Payables	**81,526,123**	-	-	-	**81,526,123**
% of Total	**100%**	**%**	**%**	**%**	**100%**

Source: *Baringo County Treasury*

As shown in Table 3.4 and Table 3.5, the majority of the Executives and Assembly's payables are less than one year old, with Assembly's payables being recurrent, and Executives' payables have a slightly higher proportion of development payables to recurrent payables. We urge both entities to avoid the occurrence of new payables, and they use FIFO in settling the existing payables.

3.1.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.575.20 million for compensation of employees. Similarly, the County Assembly spent Kshs.74.74 million on compensation of employees as shown in Table 3.6.

Table 3.6: Baringo County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**3,684,636,683**	**452,816,878**	**575,197,443**	**74,741,933**	**16**	**17**
Compensation of Employees	3,684,636,683	452,816,878	575,197,443	74,741,933	16	17
Total	**3,684,636,683**	**452,816,878**	**575,197,443**	**74,741,933**	**16**	**17**

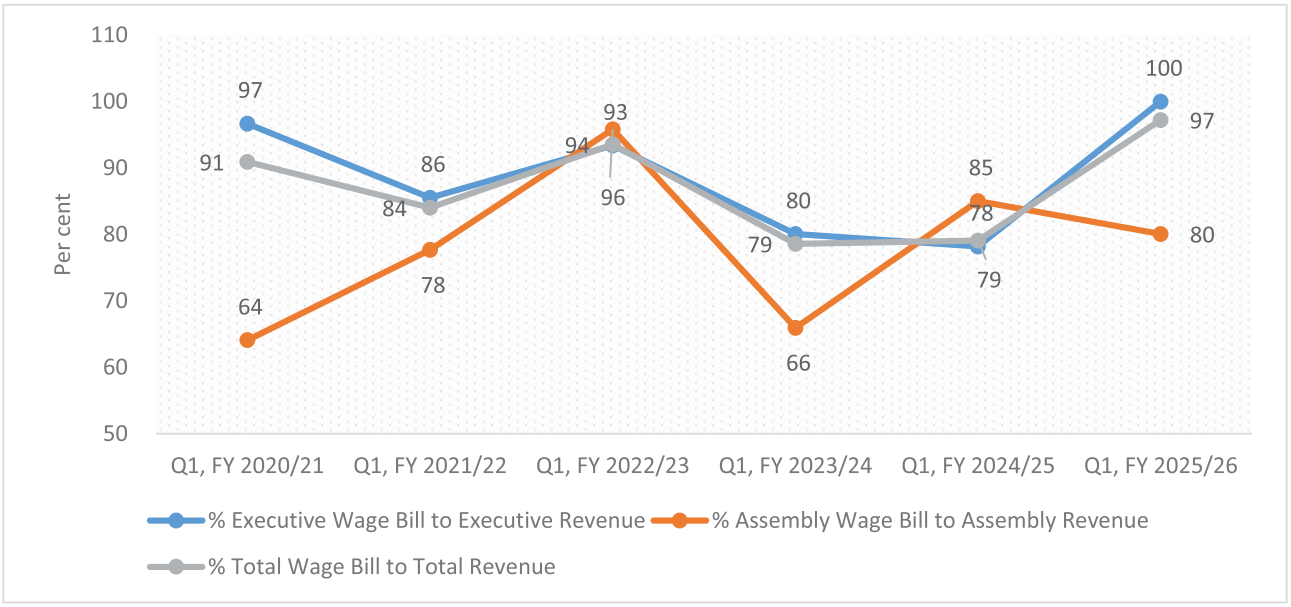
Source: *Baringo County Treasury*

3.1.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.649.94 million. The percentage of compensation of employees to revenue was 97 per cent. This expenditure on employee compensation shows. An increase compared to the Kshs.522.39 million reported in a similar period in FY 2024/25. Of this total, Kshs.465.6 million related to the Health Sector employees, which accounted for 72 per cent of the overall employees' compensation.

Figure 5 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 5: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Baringo County Treasury*

According to Figure 5, the ratio of the total wage bill to revenue ranged from 80 per cent to 100 per cent during the first quarters of the financial years 2020/21 to 2025/26. The County Executive utilised 100% of their revenue to cover the wage bill, while the Assembly allocated 80 per cent for the same purpose in the first quarter of FY 2025/26. This indicates that priority is given to settling the wage bill over other activities in the initial three months of each financial year.

Further analysis indicated that PE costs amounting to Kshs.649.94 million were processed through the Human Resource Information System (HRIS). During the period, no manual payroll was processed.

The County Assembly spent Kshs.7.20 million on committee sitting allowances for the 46 MCAs against the annual budget allocation of Kshs.50.78 million. The average monthly sitting allowance was Kshs.52,162 per MCA. The County Assembly has 25 House Committees.

3.1.10 Expenditure on Operations and Maintenance

During the reporting period, the County had no expenditure on operations and maintenance.

3.1.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County had no expenditure under "other Operating expenses".

3.1.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.63.15 million to County-Established funds in FY 2025/26 representing less than 1 per cent of the County's overall budget. Further, the County allocated Kshs.20 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012.

Table 3.7 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.7: Performance of Baringo County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Established Funds					
1	Baringo County Emergency Fund	2014/2015	20,000,000				NO
2	Baringo County Executive Car Loan Fund	2015/2016	-				YES
3	Baringo County Executive Mortage Fund	2015/2016	-				NO
4	Baringo County SME Fund	2014/2015	-				NO
5	Baringo County Bursary Fund	2014/2015	23,050,000				NO
6	Baringo County Youth and Women Fund	2014/2015	-			17,147,507	NO
7	Baringo County Cooperative Development a Fund	2014/2015	-				NO
8	Baringo County PWD Fund	2014/2015	15,100,000				NO
9	Baringo County Lake Bogoria Grants	2014/2015	5,000,000				NO
10	County Assembly Car and Mortgage Fund	2014/2015				6,000,000	NO
	Total		**63,150,000**			**10,000 litres**	

Source: *Baringo County Treasury*

During the reporting period, the CoB did receive quarterly financial reports from Baringo County Executive Car Loan Fund Administrators, as indicated in Table 3.7.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Emergence Ward office County SME Fund , Bursary Fund, Youth and Women Fund, Cooperative Development Fund, County PWD Fund, Lake Bogori10,000-litres and County Assembly Car and Mortgage Fund had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

The County government uses commercial bank accounts to operate the above-established Funds contrary to Regulations 82(1)(b) of the PFM (County Governments) Regulations, 2015, which requires that County Government bank accounts must be opened and maintained at the Central Bank of Kenya.

3.1.13 County Corporations

The County has reported only one County corporation, which was allocated Kshs.3.50 million in FY 2025/26. There was no expenditure reported during the period under review as shown in Table 3.8.

Table 3.8: Performance of Baringo County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Baringo County Investment and Economic Development Corporation	3,500,000	-	-	-
	Total	**3,500,000**	**-**	**-**	**-**

Source: *Baringo County Treasury*

3.1.14 Expenditure on Domestic and Foreign Travel

During this period, no expenditures were incurred or reported for domestic or foreign travel.

3.1.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.96.73 million as FIF, which was 30 per cent of the annual target of Kshs.320 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The health facilities did not provide a report on the utilisation of the FIF during the reporting period, contrary to Section 18 (e) of the FIF Act, 2023. The expenditure by the health facilities amounted to Kshs.55.15 million, as shown in Table 3.9.

Table 3.9: Bariongo County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	166,405,120	28,817,414	17
2.	Level 4 Hospital	5	210,000,000	26,337,102	13
3.	Level 3 Facility	36	2,311,298	-	0
4.	Level 2 Facility	190	3,484,701	-	0
	Total	**232**	**382,201,119**	**55,154,516**	**30**

Source: *Baringo County Treasury*

3.1.16 Development Expenditure

In the review period, the County neither incurred nor reported expenditure on development programmes.

The County reported 16 stalled development projects as of 30 September 2025, with an estimated value of Kshs.217.44 million, of which Kshs.126.84 million has already been paid. The stalled projects are shown in Table 3.10.

Table 3.10: Baringo County Stalled Projects as of 30 September 2025

No	Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
1	Construction Staff house at Sugut Dispensary-	Tirioko	1,999,849	698,146	1,301,703	50%	Insecurity/ contractors not responding to any communication

No	Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
2	Construction of laboratory ar Riongo Dispensary	Silale	1,458,574	1,050,716	407,858	90%	Insecurity/ contractors not responding to any communication
3	Construction and completion of Emining theatre block	Emining	11,947,541	9,302,721.52	2,644,819.48	90%	The contractor capacity and incapacity due road accident
4	Marigut Community Social Hall	Barwessa	3,000,000	0	3,000,000	5%	Contract terminated due the to delay by the contractor
5	ATC Guesthouse	Lembus perkerra	19,000,000	16,000,000	3,000,000	85%	It is a phased project. Challenges of low funding
6	Proposed Construction of pit latrine,fencing and installation of 10,000ltrs tanks and gutters at Saimo Kipsaraman Wardoffice	Saimo Kipsaraman	1,493,252	1,041,215	452,037	90%	The contractor is behind schedule, but to supply 10, 000 literes water tank and install
7	Tirioko Ward Office: Cash Transfer	Tirioko	1,000,000	-	1,000,000	80%	The contractor is behind schedule
8	Construction of Youth Empowerment Centre, Marigat	Marigat	13,000,000	5,329,956.60	7,670,043.40	40%	No Budget allocation and Structural Assessment report foundation adjustment due to a possible fault line.
9	Construction of Kabarnet Stadium	Kabarnet			-		
	Proposed Boundary Wall at Kabarnet Stadium	Kabarnet	10,775,356	10,775,356	-		
	Proposed provision of equipment for Earthworks at Kabarnet Stadium	Kabarnet	15,221,600	12,620,861.21	2,600,738.79		
	Proposed Civil works and water supply.	Kabarnet	23,700,000	16,776,268	6,923,732		
	Proposed erection and completion of the Pit latrine and changing rooms at Kabarnet Stadium	Kabarnet	2,691,687	2,691,687.20	(0.20)		
	Completion of Kabarnet Stadium (Gate & Gate house, washroom renovation, staff house) and other works.	Kabarnet	10,922,713	4,498,132	6,424,581		
10	Construction mogotio informatio centre radio room, kitchen, globe. Amphitheatre, integrated gate	Mogotio	54,650,000	26,800,000	27,850,000	50%	Inadequate funding

No	Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
11	Construction of Kipsaraman Museum with the laboratory	Saimo Soi	32,280,674	12,460,674	19,820,000	65%	Inadequate funding
12	Hospitality Centre at Marigat VTC	Marigat ward	10,000,000	5,000,000	5,000,000	50%	Budget expunged/ contractor delay
13	Kaplop Pri ECD	kabarnet	1,100,000	300,000	800,000	40%	Contractor declined
14	Construction of Milimani ECD	Ravine	1,200,000	490,000	710,000	40%	Contractor declined
15	Noswo ecd classroom	Churo	1,000,000	400,000	600,000	80%	Contractor declined
16	Borokwo ECD classroom	Mogotio	1,000,000	600,000	400,000	80%	Contractor declined
	TOTALS		217,441,246	126,835,733.53	90,605,512.47		

Source: Baringo County Treasury

3.1.17 Budget Performance by Department

Table 3.11 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.11: Baringo County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs. Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs.Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	823.48	31.46	93.34		74.74		80.1	-	9.1	-
County Finance and Accounting Services	90.63	12	-	-	-	-	-	-	-	-
Roads, Transport, Energy and Public Works	40.80	591.89	-	-	-	-	-	-	-	-
Trade, Cooperatives, Tourism and Industrialisation	21.40	190.59	-	-	-	-	-	-	-	-
Education and Vocational Training	26.49	336.53	-	-	-	-	-	-	-	-
Health Services	450.35	476.02	-	-	-	-	-	-	-	-
Lands, Housing & Urban Development	29.16	143.92	-	-	-	-	-	-	-	-
Agriculture, Livestock, and Fisheries Management	29.78	281.02	-	-	-	-				
Youth Affairs, Sports, Culture, Gender and Social Services	47.60	196.46	-	-	-	-				
Water and Irrigation	37.01	715.85	-	-	-	-				
Environment, Wildlife Management, Natural Resources and Mining	16.50	309	-	-	-	-				
Kabarnet Municipality	16.26	63.99	-	-	-	-	-	-	-	-
County Public Service Board	17.92	-	-	-	-	-	-	-	-	-
County Executive Devolution & Special Programs	168.30	352.50	-	-	-	-	-	-	-	-
Public Service Administration ICT & E Government	3.94	32.01	575.20		575.20		100	-	14.6	-

Department	Revised Budget Allocation (Kshs. Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs.Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Economic Planning	42.62	15.15	-	-	-		-	-	-	-
Totals	**5.79**	**3.75**	**575.20**		**575.20**		**100**	**-**	**14.6**	**-**

***Source**: Baringo County Treasury*

Analysis of expenditure by departments shows that no Department recorded expenditure on the development budget. The Department of Public Service Administration, ICT & E-Government, had the highest percentage of recurrent expenditure to budget at 14.6 per cent.

3.1.18 Budget Execution by Programmes and Sub-Programmes

The sub-programme with the highest level of recurrent implementation was the ICT and E-Government sub-programme under the Department of County Public Service Administration, with an implementation rate of 16 per cent. This was followed by the General Administration, Planning, and Support Services sub-programme under the County Assembly, which had an implementation rate of 12 per cent.

3.1.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 263 accounts with commercial banks, including ten accounts for Established Funds, one revenue accounts, two grant accounts.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for the opening of commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.1.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, on 30th October,2025.
ii. The underperformance of own-source revenue at Kshs.39.49 million against an annual target of Kshs.331.94 million, representing 12 per cent of the financial year target
iii. No development performance in the review period, as the County had no expenditure on development activities, achieving a zero per cent absorption rate
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the Emergency Fund , County SME Fund , Bursary Fund, Youth and Women Fund, Cooperative Development Fund, County PWD Fund, Lake Bogoria Grants and County Assembly Car and Mortgage Fund had lapsed, making them ineligible for further withdrawals.
v. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
vi. The County has stalled projects valued at Kshs.217.44 million, with Kshs.126.84 million paid (58 per cent). The stalling of the projects is attributed to varying reasons, including inadequate funding.

vii. The County reported OSR arrears of Kshs.392.66 million, comprising ordinary OSR arrears of Kshs.301.75 million and FIF (SHIF) arrears of Kshs.152.05 million. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
vi. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is essential to start projects only with secured funding, along with maintaining a register for multi-year obligations to align projects with the budget.*
vii. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.2. County Government of Bomet

3.2.1 Overview of FY 2025/26 Budget

The Bomet County Approved Budget for FY 2025/26 is Kshs.10.85 billion. It comprises Kshs.4.0 billion (37 per cent) and Kshs.6.82 billion (63 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.984.08 million (10 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.36 billion and a recurrent budget of Kshs.6.47 billion. The increase in the budget was primarily attributed to the high balance carried forward from FY 2024/25 of Kshs.743 million. The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.7.45 billion (69 per cent), additional allocations of Kshs.1.73 billion (16 per cent), a cash balance of Kshs.743 million (7 per cent) brought forward from FY 2024/25, and Kshs.897 million (8 per cent) to be generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.12.

3.2.2 Revenue Performance

During the first quarter of FY 2025/26, the County received Kshs.1.54 billion in revenue. This amount represented an increase of 51 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.1 billion. The total revenue consisted of Kshs.595.78 million from the equitable share of revenue raised nationally, additional allocations from the national government and development partners of Kshs.102.55 million, as well as own-source revenue (OSR) collection of Kshs.97.16 million. Additionally, the County had a cash balance of Kshs.743 million from FY 2024/25. The total OSR collection of Kshs.97.16 million included Facilities Improvement Financing (FIF) of Kshs.89.87 million, and Kshs.7.29 million from other OSR sources. Table 3.12 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.12: Bomet County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Performance (%)
A. Equitable Share			0
Sub-Total	**7,447,200,499.00**	**1,192,061,322.00**	**16**
B. Additional Allocations			

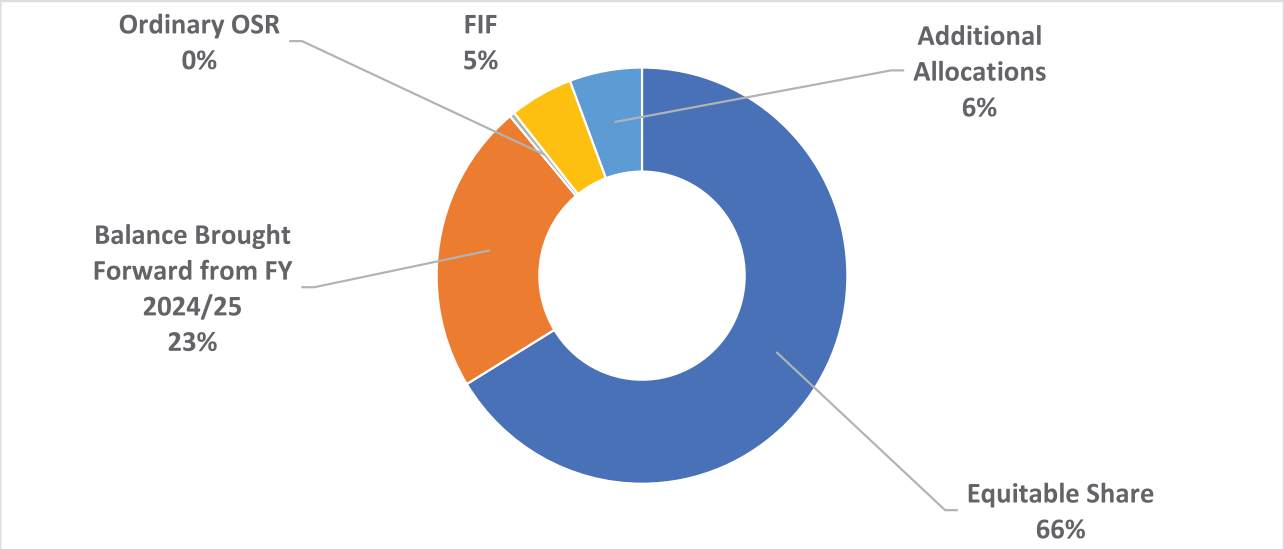
Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Performance (%)
Road Maintenance Fuel Levy (KRB)	163,000,000.00		0
Community Health Promoters	74,070,000.00		0
Conditional Allocation for Libraries	950,259.00		0
Primary Healthcare in Devolved Context	8,482,500.00		0
Kenya Urban Support Programme (KUSP) - UIG B/F	35,000,000.00	35,000,000.00	100
Kenya Urban Support Programme (KUSP) - UIG	28,500,000.00		0
IDA Kenya Urban Development Grant (UDG) B/F	18,278,289.00	18,278,289.00	100
KDSP (Level 1)	37,500,000.00		
KDSP (Level 2 Grant) -Development	352,000,000.00		
WASH - Health & Water- DIG DEEP	80,000,000.00		
Kenya Water, Sanitation and Hygiene (K-WASH) Program	197,903,000.00		
Nutritional International B/F	4,453,053.50	4,453,053.50	100
Nutritional International	15,000,000.00		0
HSSF Danida	20,056,500.00		0
IDA Kenya/Climate Change Resilience Invest (CCRI) - BAL B/F	44,814,161.30	44,814,161.30	100
IDA Kenya/Climate Change Resilience Invest (CCRI)KfW	85,000,000.00		0
IDA Kenya/Climate Change Resilience Invest (CCRI)	130,126,688.00		0
IDA Kenya/Climate Change Institutional Support (CCIS)	11,000,000.00		0
Fertiliser Subsidy Program	131,684,382.00		0
Agriculture Sector Development Support Programme (ASDSP)	1,716,655.00		0
Livestock Value chain support project - GRANTS	57,294,720.00		0
IDA World Bank-Value Chain NAVCDP	231,250,000.00		0
Sub-Total	**1,728,080,207.80**	**102,545,503.80**	**6**
C. Other Sources of Revenue			
Ordinary Own Source Revenue	607,500,000.00	7,291,461.00	1
FIF	290,000,000.00	89,870,471.00	31
Balance b/f from FY2024/25	**743,000,001.00**	**406,860,741.00**	**55**
Balance at CRF	120,000,000.00	120,000,000.00	100
County Executive Refund to CRF	593,000,001.00	256,860,741.00	43
County Assembly Refund to CRF	30,000,000.00	30,000,000.00	100
Sub-Total Other Sources	**1,640,500,001.00**	**504,022,673.00**	31
Grand Total	**10,815,780,707.80**	**1,798,629,498.80**	17

Source: *Bomet County Treasury*

The County is yet to finalise the approval process for the governing regulations to operationalise the Facility Improvement Fund (FIF). The draft regulations are pending approval at the County Assembly.

Figure 6 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 6: Bomet County Composition of Each Shilling Received in the First Quarter of FY 2025/26

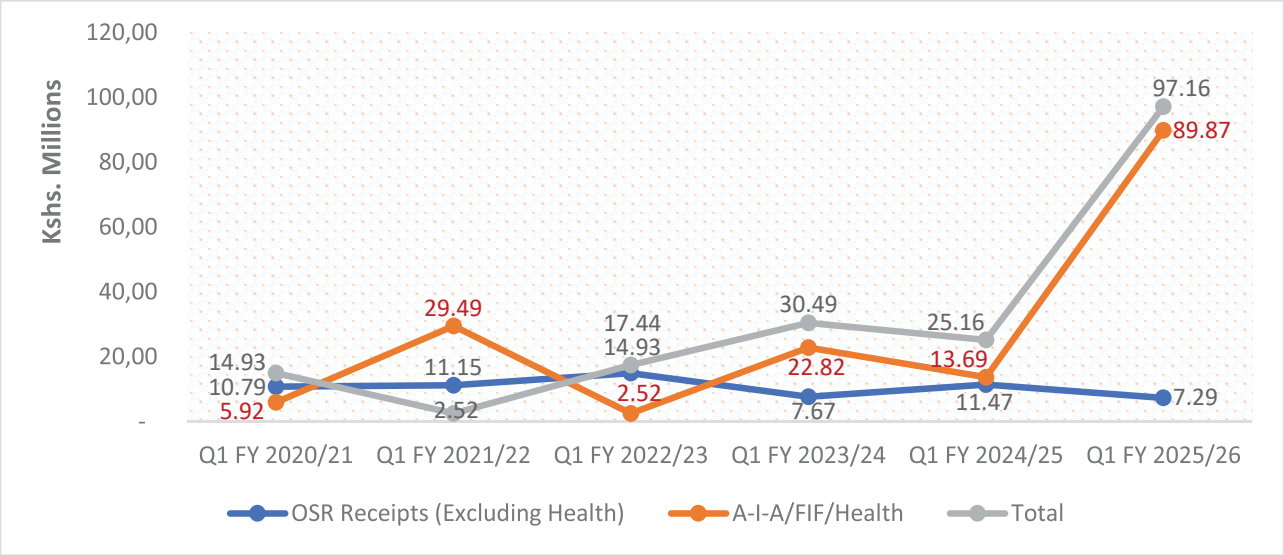


Ssource: *Bomet County Treasury*

The balance brought forward, equitable share of revenue raised nationally and OSR contributed 23 per cent 66 per cent and 6 per cent respectively of the total receipts for the reporting period.

Figure 7 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 7: Bomet County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



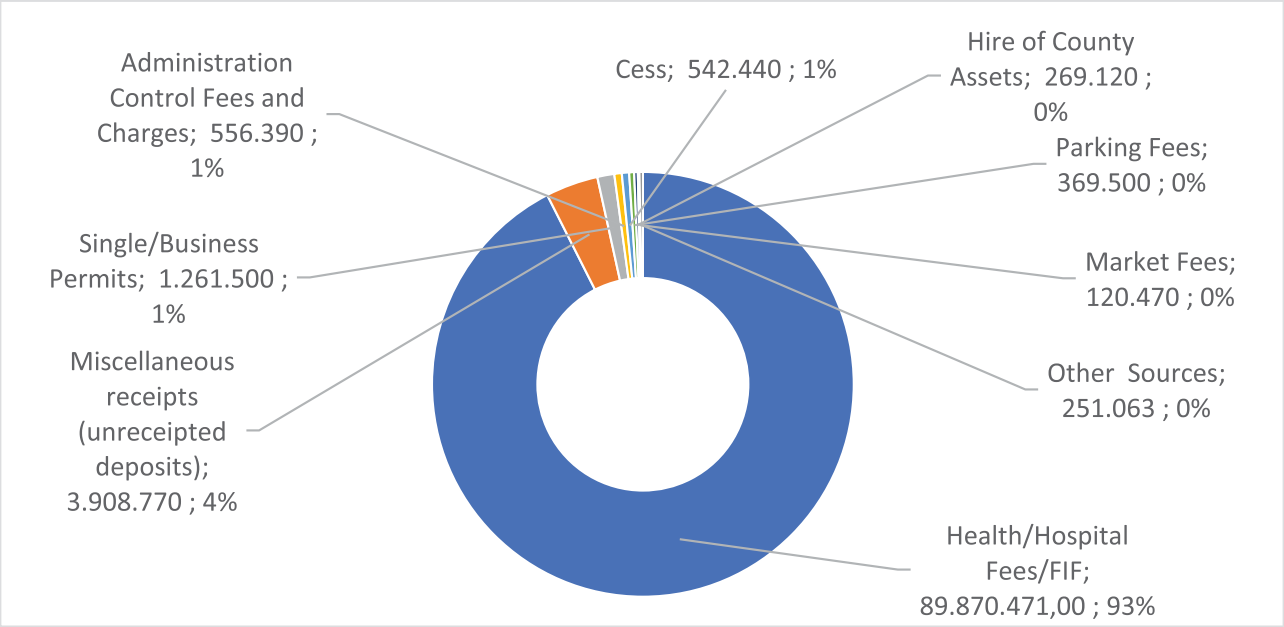
Source: Bomet *County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.97.16 million from its revenue sources, including FIF. This amount was an increase of 286 per cent compared to Kshs.25.16 million realised in a similar period in FY 2024/25, and was 10 per cent of the annual target and was 8 per cent of the equitable revenue share disbursed.

The increase in collection was attributed to improved collection under FIF as a result of the operationalisation of FIF Act

The revenue streams which contributed the highest OSR receipts are shown in Figure 8.

Figure 8: Bomet County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Bomet County Treasury

As shown in Figure 8, the highest revenue stream, at Kshs.89.17 million, was from FIF accounting for 93 per cent of the total OSR receipts. The County Government is yet to automate revenue streams.

1.1.1 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.144.28 million. The County did not submit the updated status to the CoB as of 30th September 2025. Table 3.13 presents a breakdown of the County's revenue arrears.

Table 3.13: Bomet County Revenue Arrears as of 30 September 2025

Revenue Stream	Revenue Arrears as of 30 June 2025 (Kshs.)	Progress made in Q1 FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
		Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in Q1 FY 2025/26 (Kshs)	
	a	b	c	d	f=a-b-c+d
Ordinary Own Sources of Revenue	-	-	-	-	-
Facility Improvement Fund (FIF)	144,284,683	-	-	-	144,284,683
Sub-Total	144,284,683	-	-	-	144,284,683-
Total	**144,284,683**	**-**	**-**	**-**	**144,284,683**

Source: *Bomet County Treasury*

As of 30 September 2025, the reported revenue arrears totalled to Kshs.144.28 million, being arrears brought forward from the FY 2024/25.

3.2.3 Borrowing by the County

Bomet County did not submit borrowing records to support its operations during the reporting period.

3.2.4 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.587.08 million from the CRF account during the reporting period, which comprised was for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.334.38 million was towards employee compensation and Kshs.252.69 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 15 per cent was for domestic travel and 7 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.38.51 million and included Kshs.3.75 million for the County Executive and Kshs.34.77 million for the County Assembly. The foreign exchequer totalled Kshs17.88 million incurred by the County Assembly.

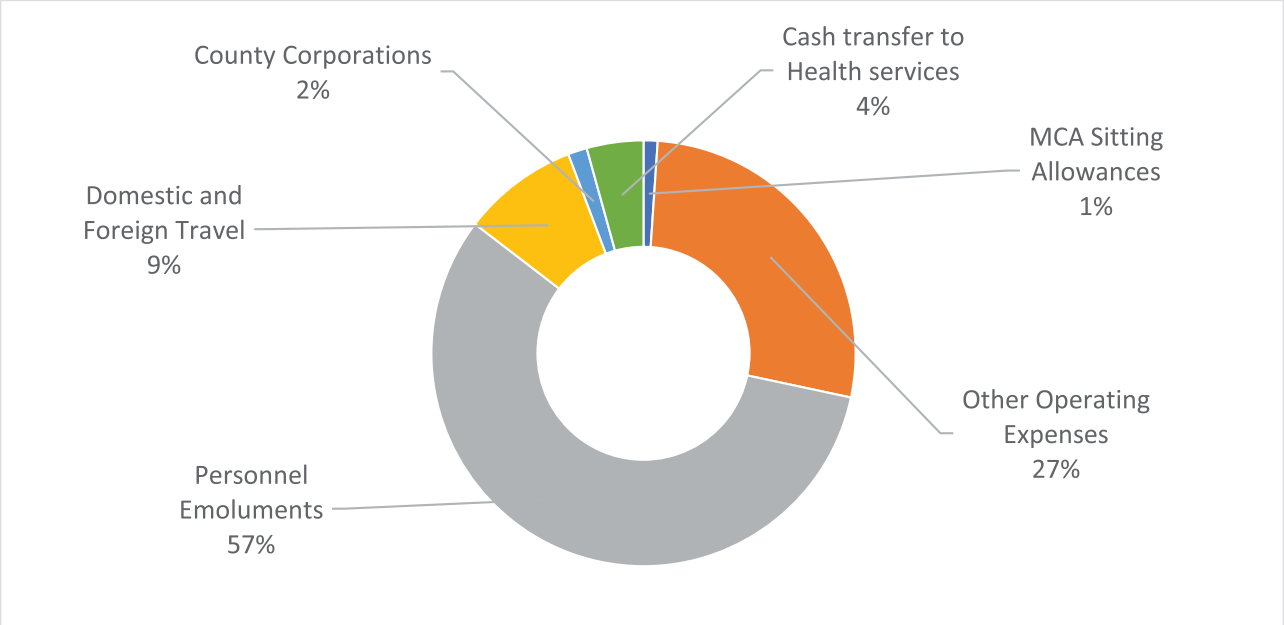
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.866.16 million.

3.2.5 Expenditure Review

The County spent Kshs.633.8 million on recurrent programmes in the reporting period. The expenditure represented 108 per cent of the total funds released by the CoB and was spent on recurrent programmes. The County did nott submit the reason(s) for the over-expenditure.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 9: Bomet County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Bomet *County Treasury*

As shown in Figure 9, the three highest expenditure categories were Personnel emoluments, Other operating expenses, and Domestic and foreign travel, which contributed 57 per cent, 27 per cent, and 9 per cent of total expenditure for the reporting period, respectively.

3.2.6 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.52 billion. This amount included Kshs.1.46 billion from the County Executive and Kshs.65.87 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.599.97 million for recurrent expenditures and Kshs.857.4 million for development expenditures.

During the reporting period, the County Executive and County Assembly did not settle any trade payables. The outstanding trade payables as of 30th September 2025 was Kshs.1.46 billion for County Executive and Kshs.65.87 million for County Assembly. Table 3.14 provides additional details of trade payables.

Table 3.14: Bomet County Trade Payables as of 30th September 2025

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	County Executive	857,398,556.00	599,970,751.00	1,457,369,307.00
	County Assembly	45,807,600.00	20,063,977.00	65,871,577.00
	Total	**903,206,156.00**	**620,034,728.00**	**1,523,240,884.00**
Outstanding trade payables as of 30 September 2025 (Kshs.)	County Executive	857,398,556.00	599,970,751.00	1,457,369,307.00
	County Assembly	45,807,600.00	20,063,977.00	65,871,577.00
	Total	**903,206,156.00**	**620,034,728.00**	**1,523,240,884.00**

Source: Bomet *County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.1.46 billion and Kshs.65.87 million, respectively, between the Second quarter and the fourth quarter in the FY 2025/26. Accordingly, the County Executive and County Assembly did not report payment of trade payables in the First quarter

Table 3.15 and Table 3.16 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.46 billion and Kshs.65.87 million, respectively.

Table 3.15: Bomet County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**483,210,497**	**39,867,297**	**139,815,079**	**194,505,683**	**857,398,556**
Recurrent Trade Payables (Goods & Services)	184,670,480	4,350,604	50,116,058	19,701,189	**258,838,331**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	305,975,357	20,337,896	-	-	**326,313,253**
Recurrent Trade Payables (Staff Claims)	14,819,167	-	-	-	**14,819,167**
Total Recurrent Trade Payables	505,465,004	24,688,500	50,116,058	19,701,189	**599,970,751**
Total Trade Payables	**988,675,501**	**64,555,797**	**189,931,137**	**214,206,872**	**1,457,369,307**
% of Total	**68%**	**4%**	**13%**	**15%**	

Source: Bomet *County Treasury*

Table 3.16: Bomet County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**44,213,600**				**44,213,600**
Recurrent Trade Payables (Goods & Services)	21,657,977				**21,657,977**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-				-
Recurrent Trade Payables (Staff Claims)	-				-
Total Recurrent Trade Payables	21,657,977				**21,657,977**
Total Trade Payables	**65,871,577**	-	-	-	**65,871,577**
% of Total	**100%**	**0%**	**0%**	**0%**	

Source: Bomet *County Treasury*

The County Executive and County Assembly committed to settling trade payables on a FIFO basis. A trade payables payment plan was shared with OCoB for tracking of the payments. In the reporting period, the two entities did not report payment of trade payables.

3.2.7 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.288.55 million for compensation of employees and Kshs.214.63 million for operations and maintenance. The County Executive did not report any development expenditure in the period.

Similarly, the County Assembly spent Kshs.73.06 million on compensation of employees and Kshs.57.56 million on operations and maintenance, and reported nil expenditure on development activities, as shown in Table 3.17.

Table 3.17: Bomet County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**6,092,736,269.5**	**725,816,719.0**	**503,179,531.5**	**130,621,253.0**	**8%**	**18%**
Compensation of Employees	3,510,000,000.0	407,738,131.0	288,548,669.1	**73,064,299.0**	8%	18%
Operations and Maintenance	2,582,736,269.5	318,078,588.0	214,630,862.4	**57,556,954.0**	8%	18%
Development Expenditure	**3,925,227,719.3**	**72,000,000.0**	-	-	-	-
Total	**10,017,963,988.8**	**797,816,719.0**	**503,179,531.5**	**130,621,253.0**	**5%**	16%

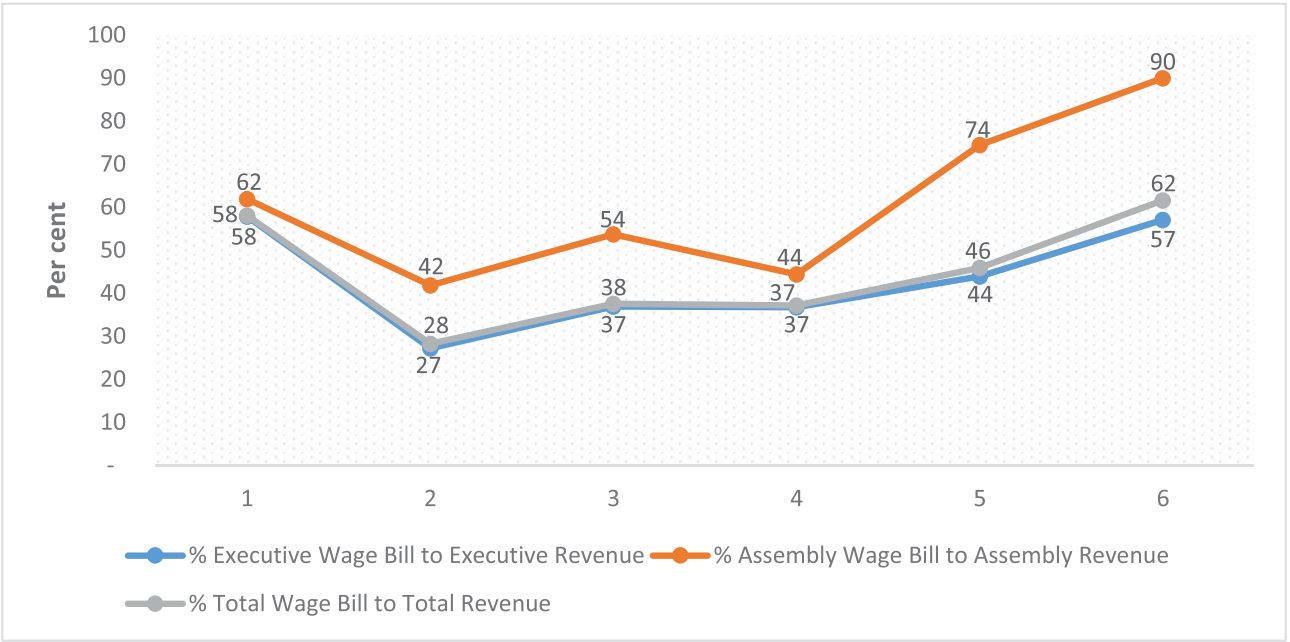
***Source**: Bomet County Treasury*

3.2.8 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.361.6 million. The percentage of compensation of employees to revenue was 20 per cent. This expenditure on employee compensation shows a decrease compared to the Kshs.606.7 million reported in a similar period in FY 2024/25. Of this total, Kshs.113.12 million related to the Health Sector employees, which accounted for 31 per cent of the overall employees' compensation. The decrease in expenditure reported for compensation on employees is attributed to delay in budget uploading and procurement upload challenges posed by the new system.

Figure 10 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 10: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Bomet County Treasury

Figure 10 shows that the executive ratio of wage bill to revenue in the first quarter of FY2025/26 rose to 90 per cent compared to the FY 2024/25 when the ratio was 74 per cent. On the other hand the ratio of wage bill to revenue for the County Assembly grew from 44 per cent on FY 2024/25 to 57 per cent in the first quarter of FY 2025/26

Further analysis indicated that PE costs amounting to Kshs.342.69 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.18.92 million was processed through manual payroll, which accounted for 5 per cent of the total PE cost.

The manual payroll comprised salaries for 7 staff not onboarded into the Human Resource Information System (HRIS), salaries for 114 casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.18.

Table 3.18: Breakdown of Bomet County Manual Payroll

Breakdown of Manual Payroll			
Category	**County Executive**	**County Assembly**	**Total**
Salaries for staff paid outside Human Resource Information System (HRIS)	-	6,146,778.00	6,146,778.00
Salaries for casual staff	-	10,374,000.00	10,374,000.00
Gratuity for contract staff		2,398,376.00	2,398,376.00
Total	**-**	**18,919,154.00**	**18,919,154.00**

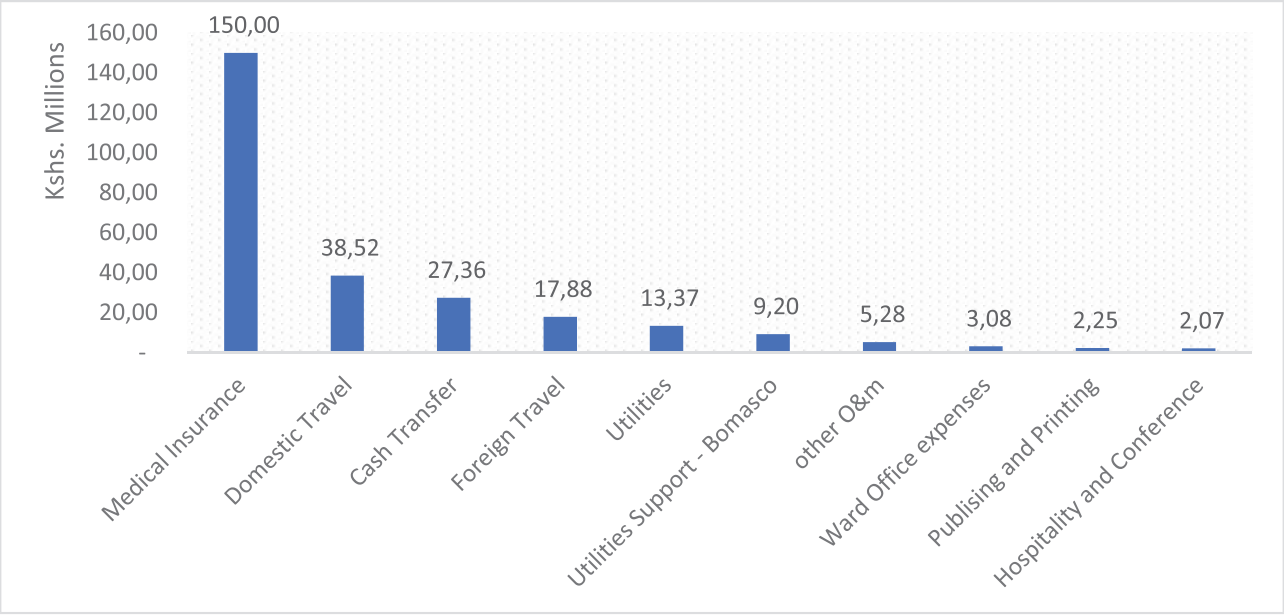
Source: Bomet County Treasury

The County Assembly spent Kshs.6.8 million on committee sitting allowances for the 39 MCAs against the annual budget allocation of Kshs.35.9 million. The average monthly sitting allowance was Kshs.58,086 per MCA. The County Assembly has 21 House Committees.

3.2.9 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.272.19 million on operations and maintenance, representing an increase of 198 per cent compared to FY 2024/25, when the County spent Kshs.91.33 million. Figure 11 summarises the Operations and Maintenance expenditure by major categories.

Figure 11: Bomet County, Operations and Maintenance Expenditure by Major Categories



Source: Bomet *County Treasury*

Medical Insurance recorded the highest expenditure at Ksh.150 million followed by Domestic travel at Ksh.38.52 million. The County transferred Ksh.27.36 million to entities which was the third highest expenditure item under operations and maintenance.

3.2.10 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.5.28 million under "other Operating expenses" translates to 2 per cent of the cumulative operations and maintenance expenditure of Kshs.272.19 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.19.

Table 3.19: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2640499	Other Operating expenses- Community Participation, civic education, stakeholder forums and other citizen engagements	24,000,000.00	5,280,000.00
2210203	Courier and Postal Service	120,000.00	2,020.00
Total		**24,120,000.00**	**5,282,020.00**

Source: Bomet *County Treasury*

3.2.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.110 million to County-Established funds in FY 2025/26, or 1 per cent of the County's overall budget. Further, the County did not allocate funds to the Emergency Fund in line with Section 110 of the PFM Act, 2012 as the Emergency Funds Act had expired. Table 3.20 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.20: Performance of Bomet County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1.	Bomet County Bursary Fund	2021	85,000,000	0	0	590,458,915	No
2.	Bomet County Executive Car Loan and Mortgage Fund	2014	0	0	0	124,813,880	No
		County Assembly Established Funds					
3	Bomet County Assembly Car Loan and Mortgage Fund	2017	25,000,000	0	0	483,307,071	No
	Total		110,000,000	0	0	1,198,579,866	

Source: Bomet *County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from the three Fund Administrators, as indicated in Table 3.20, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Bomet County Executive Mortgage and car Loan Fund had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.2.12 County Corporations

The County has 3 County Corporations, which were allocated Kshs.150.45 million in FY 2025/26. The transfers to the corporations in the review period amounted to Kshs.9.20 million, as shown in Table 3.21.

Table 3.21: Performance of Bomet County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Bomet Municipality	66,750,000	0	0	33,102,820
2	Sotik Municipality	3,700,000	0	0	0
3	Bomwasco	80,000,000	9,200,000	9,200,000	186,000,000
	Total	150,450,000	9,200,000	9,200,000	219,102,820

Source: Bomet *County Treasury*

3.2.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.38.52 million and comprised Kshs.34.77 million spent by the County Assembly and Kshs.3.75 million by the County Executive. Expenditure on foreign travel amounted to Kshs.17.88 million was incurred by the County Assembly, while the County Executive did not report any foreign travel expenditure. Expenditure on foreign travel is summarised in Table 3.22.

Table 3.22: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly	25	13th to 23rd September 2025	2nd- Edition of the RAID Okavango Region	Angola	17,884,505
Total					17,884,505

Source: Bomet County Treasury and Bomet County Assembly

Under the operations and maintenance costs, there was no reported expenditure on garbage collection and leagl fees.

3.2.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.89.87 million as FIF, which was 31 per cent of the annual target of Kshs.290 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has however, not approved regulations to operationalise the FIF Act of 2023.

The health facilities spent Kshs.140.35 million out of a budget of Kshs.395 million. This expenditure covered 162 facilities, which included 6 level four hospitals, 29 level two facilities, and 127 level three facilities.

3.2.15 Development Expenditure

In the review period, the County did not report expenditure on development programmes. This compares to Ksh.74.66 million spent in a similar period of FY 2024/25.

The County did not report stalled projects in the period.

3.2.16 Budget Performance by Department

Table 3.23 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.23: County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	750.82	47.00	81.18	0.00	130.62	0.00	161	0	17	0
Administration And Public Service	3041.73	397.00	348.86	0.00	330.71	0.00	95	0	11	0
Finance And Economic Planning ICT	163.77	229.06	19.49	0.00	22.79	0.00	117	0	14	0
Lands, Housing And Urban Planning	163.42	129.00	0.00	0.00	0.00	0.00	0	0	0	0
Municipalities	51.95	18.50	0.00	0.00	0.00	0.00	0	0	0	0
Gender And Culture	45.41	10.02	0.00	0.00	0.00	0.00	0	0	0	0
Health Services	2128.78	286.88	120.04	0.00	140.48	0.00	117	0	7	0
Education, Vocational Training, Youth & Sports	172.05	237.20	0.00	0.00	0.00	0.00				
Water, Sanitation And Environment	165.70	909.69	17.50	0.00	9.20	0.00				
Agriculture, Livestock , Fisheries, Cooperatives	26.99	582.62	0.00	0.00	0.00	0.00				
Roads, Transport & Public Works	127.04	1097.30	0.00	0.00	0.00	0.00				
Trade, Energy Tourism & Investment	5.89	27.96	0.00	0.00	0.00	0.00	0	0	0	0
Total	**6,843.55**	**3,972.23**	**587.08**	**-**	**633.80**	**-**				

Source: *Bomet County Treasury*

Analysis of expenditure by departments shows that the Department of County Assembly recorded the highest absorption rate of recurrent budget at 17 per cent, followed by the Department of Finance Economic planning and ICT at 14 per cent and Adminstration and Public Service recorded 11 per cent.

3.2.17 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Office of the Speaker and Legislative services in County Assembly at 15,674 per cent and 41 per cent respectively, followed by Financing to healthcare facilities in the Department of Health at 36 per cent of the budget allocation. No explanation was offered for the overexpenditure in the speaker's office. Several programs reported a zero-absorption rate during the review period. No program reported a development absorption rate in the first quarter of FY 2025/26

3.2.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 148 accounts with commercial banks, including 131 accounts for Health Facilities, four accounts for Established Funds, one revenue account, seven special-purpose accounts (additional allocations), four imprest accounts, one recurrent operational account, and one development operational account.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.2.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 19th November 2025.
ii. Own-source revenue underperformed at Kshs.7.3 million against an annual target of Kshs.607.5 million, representing 1.2 per cent of the financial year target against an expected performance of 25 per cent.
iii. There was a high level of trade payables, which amounted to Kshs.1.52 billion as of 30th September, 2025
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Bursary Fund, County Executive Car Loan and Mortgage Fund and County Assembly Car Loan and Mortgage Fund were not submitted to the CoB as of 15 October 2025.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

3.3. County Government of Bungoma

3.3.1 Overview of FY 2025/26 Budget

The Bungoma County Approved Budget for FY 2025/26 is Kshs.15.93 billion. It comprises Kshs.5.06 billion (32 per cent) and Kshs.10.86 billion (68 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.336.96 million (2 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.97 billion and a recurrent budget of Kshs.10.62 billion. The increase in the budget was primarily attributed to growth in the Equitable share, conditional allocations, and the Facility Improvement Fund.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.11.69 billion (73 per cent), additional allocations of Kshs.2.27 billion (14 per cent), and generate Kshs.1.97 billion (13 per cent) as gross own source revenue. The own-source revenue includes Kshs.1.30 billion (66 per cent) as Facility Improvement Fund (revenue from health facilities) and Kshs.671.06 million (34 per cent) as ordinary own-source revenue. A breakdown of the additional allocations is shown in Table 3.24.

3.3.2 Revenue Performance

During the first quarter of FY 2025/26, the County received Kshs.2.93 billion in revenue. This amount represented an increase of 42 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.06 million. The total revenue consisted of Kshs.1.9 billion from the equitable share of revenue raised nationally, additional allocations from the national government, and development partners of Kshs.61.54 million, as well as own-source revenue (OSR) of Kshs.285.72 million. Additionally, the County had a cash balance of Kshs.686.93 million from FY 2024/25 which was not budgeted. The total OSR collection of Kshs.285.71 million

included Facilities Improvement Financing (FIF) of Kshs.172.04 million, Kshs.69.87 million from other OSR sources, and Kshs.43.80 million from SHIF. Table 3.24 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.24: Bungoma County, Revenue Performance in FY 2025/26

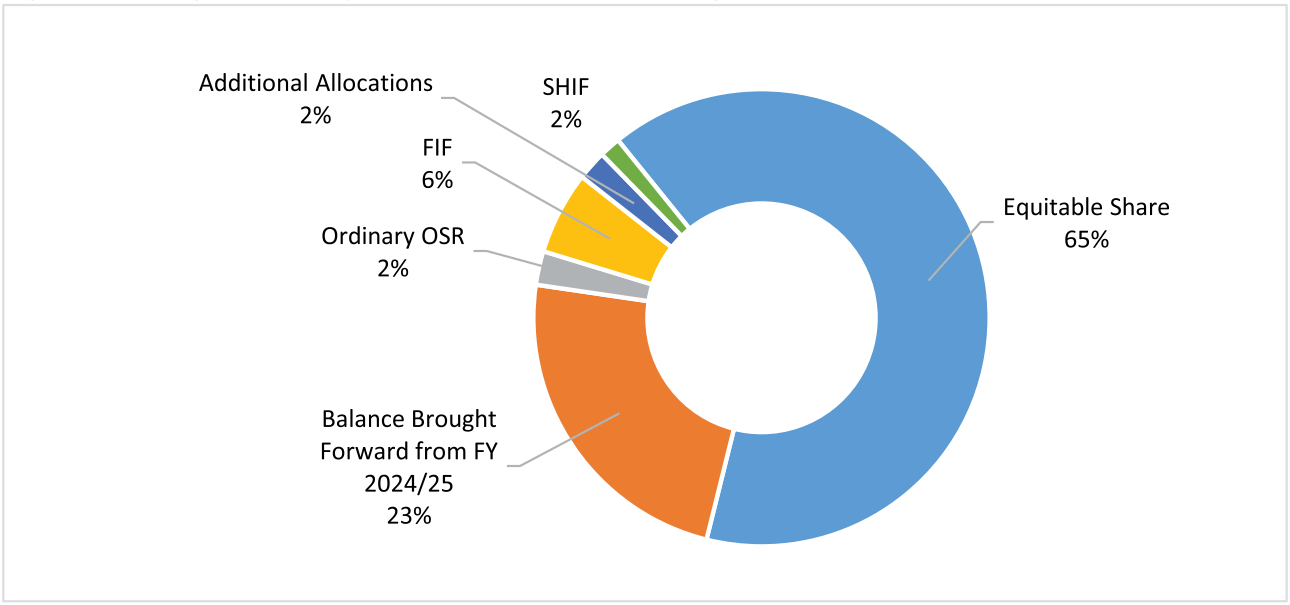
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	**11,688,348,752**	**1,896,551,558**	**16**
Subtotal		**11,688,348,752**	**1,896,551,558**	**16**
Subtotal				
B	**Additional Allocations**			
1	Water and Natural Resources I) WATER KOICA	500,000,000	-	-
2	Kenya Devolution Support Programme- Level 11	352,500,000	5,000,000	1
3	III) KISP II (Kenya Informal Settlement Improvement Project)	297,400,190	-	-
4	Roads: I) Fuel Levy Fund	184,554,999	-	-
5	Climate Change Grant	153,488,888	42,840,369	28
6	National Agricultural Value Chain Development Project (NAVCDP)	151,515,152	-	-
7	Trade: Aggregated Industrial Park Grant	133,368,420	-	-
8	Community Health Promoters	107,400,000	-	-
9	SHIF	105,600,000	-	-
10	Lands: I) Urban Support Programme(Development)	100,434,139	-	-
11	Rural Electrification and Renewable Energy Corporation (REREC)	45,000,000	-	-
12	County Secretary: Kenya Devolution Support Programme- Level 1	37,500,000	-	-
13	II) Urban Support Programme (Recurrent)	35,000,000	-	-
14	Kenya Livestock Commercialisation Project (KELCoP)	34,500,000	-	-
15	III) Danish International Development Agency (DANIDA)	13,698,750	13,698,750	100
16	Finance Locally Led Climate Action Program (FLLoCA)- Water	11,000,000	-	-
17	UNFPA	7,400,000	-	-
18	Health: I) UNICEF	1,571,000	-	-
Subtotal		2,271,931,538	61,539,119	**3**
C	**Ordinary Own Source Revenue (OSR)**			
1	Other Ordinary OSR	288,626,118	17,193,443	6
2	Enclosed Bus Park Fee	73,957,268	16,065,850	22
3	Cess	48,942,309	13,687,108	28
4	Market fees	46,513,704	9,570,965	21
5	Land Rates	58,316,975	4,425,850	8
6	Mabanga ATC	33,360,868	3,399,774	10
7	Plan Approval	14,138,889	2,945,061	21
8	Single Business Permits	107,201,317	2,577,750	2
Subtotal		**671,057,448**	**69,865,801**	**10**

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
D	**Facility Improvement Fund (FIF)**			
1	SHIF		43,801,945	-
2	Public and Primary Health	233,000,000	83,828,845	36
3	Bungoma County Referral Hospital	370,535,416	35,517,054	10
4	Webuye County Hospital	300,761,430	24,796,127	8
5	Kimilili Sub-County Hospital	78,227,350	7,717,776	10
6	Chwele Sub-County Hospital	41,783,540	5,067,684	12
7	Cheptais Sub-County Hospital	55,234,530	3,462,940	6
8	Mt.Elgon Sub-County Hospital	33,405,440	3,151,539	9
9	Bokoli Sub-County Hospital	57,248,430	2,771,542	5
10	Sirisia Sub-County Hospital	30,479,585	2,406,361	8
11	Bumula Sub-County Hospital	44,249,645	1,672,549	4
12	Naitiri Sub-County Hospital	41,456,159	1,602,616	4
12	Sinoko Sub-County Hospital	8,688,498	53,048	1
Subtotal		**1,295,070,023**	**215,850,024**	**17**
E	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF		685,017,970	-
2	County Executive Refunds to CRF		1,884,078	-
3	County Assembly Refunds to CRF		26,545	-
Subtotal			686,928,593	-
Grand Total		**15,926,407,761**	**2,930,735,095**	**18**

Source: *Bungoma County Treasury*

The County is yet to finalise the approval process for the governing legislation to operationalise the Facility Improvement Fund (FIF). Figure 12 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

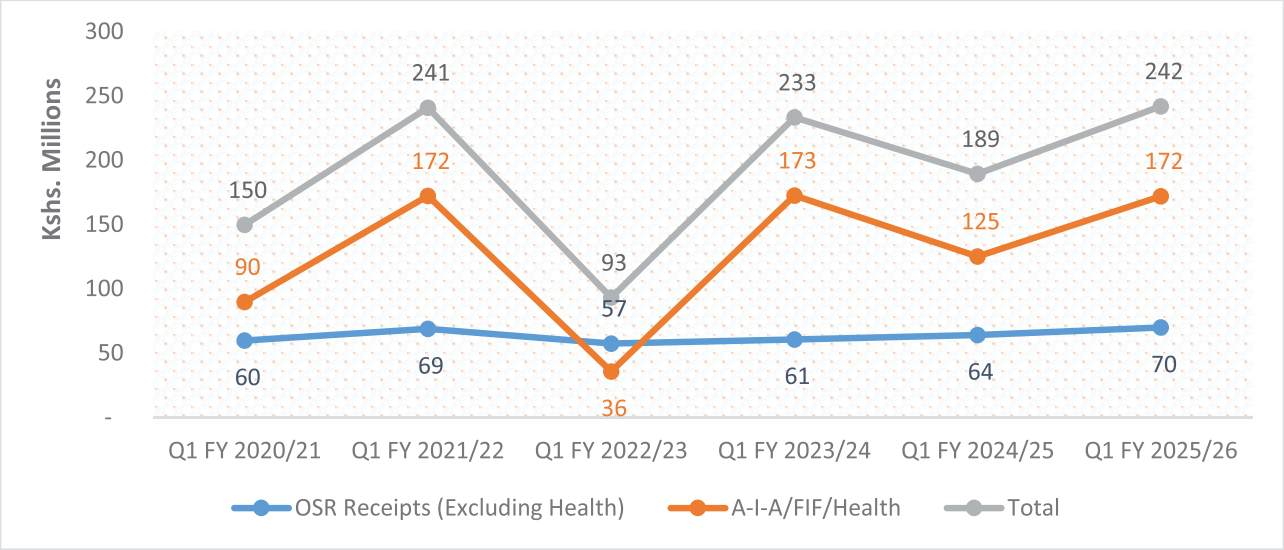
Figure 12: Bungoma County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Bungoma County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 65 per cent, 23 per cent, and 8 per cent, respectively, of the total receipts for the reporting period. Figure 13 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

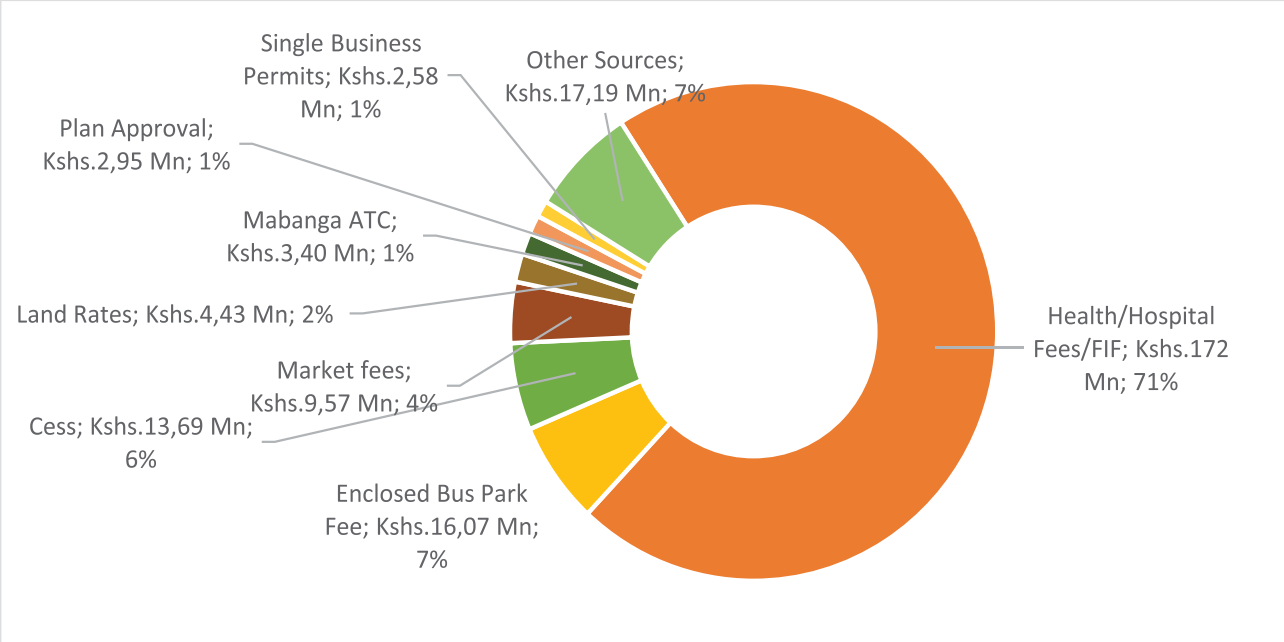
Figure 13: Bungoma County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Bungoma County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.285.72 million from its revenue sources, including FIF. This amount was an increase of 28 per cent compared to Kshs.189.2 million realised in a similar period in FY 2024/25, and was 12 per cent of the annual target and 13 per cent of the equitable revenue share disbursed. The revenue streams that contributed the highest OSR receipts are shown Figure 14.

Figure 14: Bungoma County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: *Bungoma County Treasury*

As shown in Figure 14, the highest revenue stream, at Kshs.172.05 million, was from Health /Hospital Fees/FIF, accounting for 71 per cent of the total OSR receipts. The County Government indicated that it has automated 48 out of 52 revenue streams.

3.3.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.660.67 million, this amount increased to Kshs.1.67 billion as of 30th September 2025. Table 3.2 presents a breakdown of the County's revenue arrears.

Table 3.25: Bungoma County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears Received in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Sep-25				**1,006,234,647**	**1,006,234,647**
	Sub-Total				**1,006,234,647**	**1,006,234,647**
B	**Ordinary Own Sources of Revenue**					
1	Cess	118,360,379				**118,360,379**
2	Land rate	183,756,587		**2,415,141**		**181,341,446**
	Sub-Total					**299,701,825**
C	**Facility Improvement Fund (FIF)**					
1	SHIF	**358,551,600**				**358,551,600**
	Sub-Total	**358,551,600**				**358,551,600**
Total		**660,668,566**	-	**2,415,141**	**1,006,234,647**	**1,664,488,072**

Source: Bungoma *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.1.66 billion, comprising Kshs.1.01 billion (61 per cent)for Equitable Share of Revenue Raised Nationally, Kshs.299.70 million (18 per cent)for Ordinary Own Sources of Revenue and Kshs.358.55 million for facility improvement fund (21 per cent) The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include enforcement actions against defaulters, stricter compliance monitoring, and follow-up on unpaid obligations to ensure improved revenue performance.

During the period under review Kshs.2.42 million was collected as land rates arrears and no cess arrears were collected.

3.3.4 Borrowing by the County

The County did not borrow any funds during the period under review.

3.3.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.2.14 billion from the CRF account during the reporting period, which comprised Kshs.50.73 million (2 per cent) for development programmes and Kshs.2.09 billion (98 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.2.02 billion was towards employee compensation and Kshs.125.11 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 49 per cent was for domestic travel and 2.2 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.61.25 million and included Kshs.57.77 million for the County Executive and Kshs.3.48 million for the County Assembly. The foreign travel exchequer totalled Kshs.2.75 million, comprising Kshs.2.0 million for the County Executive and Kshs.0.75 million for the County Assembly.

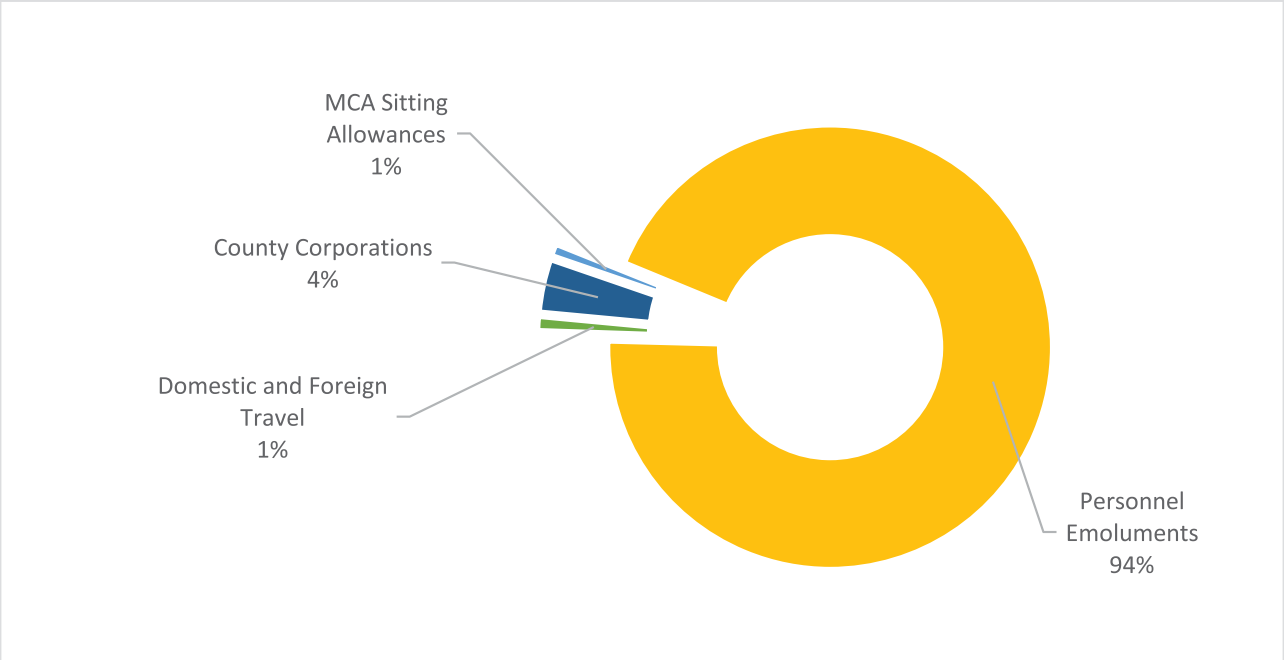
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.566.73 million.

3.3.6 Expenditure Review

The County spent Kshs.2.14 billion for recurrent programs, which was 100 per cent of the funds released by the CoB and accounted for 20 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 15: Bungoma County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Bungoma *County Treasury*

As shown in Figure 15, the three highest expenditure categories were Personnel Emoluments, transfers to County Corporations, and Domestic and Foreign Travel, which contributed 94 per cent, 4 per cent, and 1 per cent of total expenditure for the reporting period, respectively.

3.3.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.5.21 billion. This amount included Kshs.5.19 billion from the County Executive and Kshs.16.36 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.2.95 billion for recurrent expenditures and Kshs.2.24 billion for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.940.84 million, for recurrent programmes. On the other hand, the County Assembly settled trade payables worth Kshs.14.64 million, for recurrent activities. The outstanding trade payables as of 30th September 2025 were Kshs.4.25 billion for the County Executive and Kshs.1.72 million for the County Assembly. Table 3.26 provides additional details of trade payables.

Table 3.26: Bungoma County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	**2,242,939,069**	2,950,485,266	5,193,421,335
		County Assembly	-	**16,356,038**	16,356,038
		Total	**2,242,939,069**	**2,966,841,304**	**5,209,777,373**
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	560,734,017	737,621,317	1,298,355,334
		County Assembly	-	4,089,010	4,089,010
		Total	**560,734,017**	**741,710,327**	**1,302,444,344**
Amount paid in FY 2025/26	c	County Executive		**940,844,751**	940,844,751
		County Assembly		14,636,902	14,636,902
		Total	-	**955,481,653**	**955,481,653**
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	**2,242,939,069**	**2,009,640,515**	**4,252,579,584**
		County Assembly	-	**1,719,136**	**1,719,136**
		Total	**2,242,939,069**	**2,011,359,651**	**4,254,298,720**

Source: *Bungoma County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.1.30 billion and Kshs.4.09 million, respectively, in the first quarter of FY 2025/26. The County Executive did not adhere to this payment plan, as it cleared Kshs.940.84 million.

Table 3.27 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.4.25 billion.

Table 3.27: Bungoma County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**893,394,222**	**717,490,602**	**387,138,932**	**244,915,313**	**2,242,939,069**
Recurrent Trade Payables (Goods & Services)	844,684,679	165,853,549	51,555,728	88,168,280	**1,150,262,237**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	35,800,000	82,362,818		681,126,436	**1,740,134,004**
Recurrent Trade Payables (Staff Claims)	60,089,025				**60,089,025**
Total Recurrent Trade Payables	940,573,704	248,216,367	51,555,728	769,294,716	**2,009,640,516**
Total Trade Payables	**1,833,967,926**	**965,706,969**	**438,694,660**	**1,014,210,029**	**4,252,579,584**
% of Total	**43**	**23**	**10**	**24**	**100**

Source: *Bungoma County Treasury*

The Bungoma County Assembly Trade Payables Ageing Analysis as of 30 September 2025 was Kshs.1.72 million. The County should adopt IBEC's trade payables action plan tracker templates to manage, track, and report on its trade payables and their status.

3.3.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.90 billion for compensation of employees, Kshs.92.85 million for operations and maintenance, and no development expenditure. Similarly, the County Assembly spent Kshs.123.89 million on compensation of employees, Kshs.32.26 million on operations and maintenance, and reported no development expenditure during the period under review, as shown in Table 3.28.

Table 3.28: Bungoma County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**9,894,291,357**	**969,221,694**	**1,988,356,285**	**156,145,890**	**20**	**16**
Compensation of Employees	6,359,892,748	512,000,967	1,895,507,498	123,885,903	30	24
Operations and Maintenance	3,534,398,609	457,220,727	92,848,788	32,259,987	3	7
Development Expenditure	**4,819,404,450**	**243,490,260**			-	-
Total	**14,713,695,807**	**1,212,711,954**	**1,988,356,285**	**156,145,890**	**14**	**13**

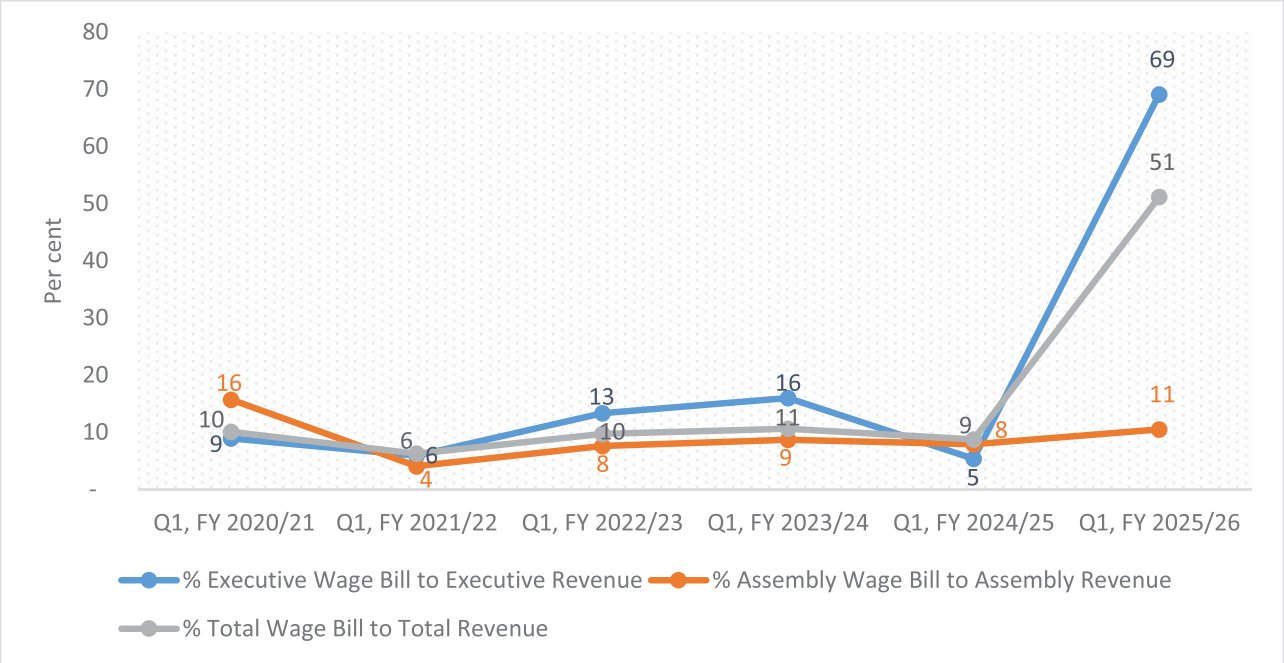
***Source**: Bungoma County Treasury*

3.3.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.2.02 billion. The percentage of compensation of employees to revenue was 68 per cent of the available revenue of Kshs.2.93 billion during the period. This expenditure on employee compensation shows an increase compared to the Kshs.866.07 million reported in a similar period of FY 2024/25. Of this total, Kshs.693.80 million for Health Sector employees, accounting for 34 per cent of overall employees' compensation.

Figure 16 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 16: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Bungoma County Treasury

Further analysis indicated that PE costs amounting to Kshs.2.02 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.4.30 million was processed through manual payroll, which accounted for less than 1 per cent of the total PE cost.

The manual payroll comprised salaries for 135 staff not onboarded into the Human Resource Information System (HRIS), salaries for 15 casual staff, salaries for 3 Speaker's Partisan staff, and salaries for 1 Board Member and Sitting Allowances, as shown in Table 3.29.

Table 3.29: Breakdown of Bungoma County Manual Payroll

Category	County Assembly (Kshs.)
Salaries for 135 ward Staff paid outside the Human Resource Information System (HRIS)	3,190,736
Salaries for 15 Casual Staff	221,070
Salary for 1 Board Member and Sitting Allowances	699,000
Speaker's 3 Partisan Staff	193,845
Total	4,304,651

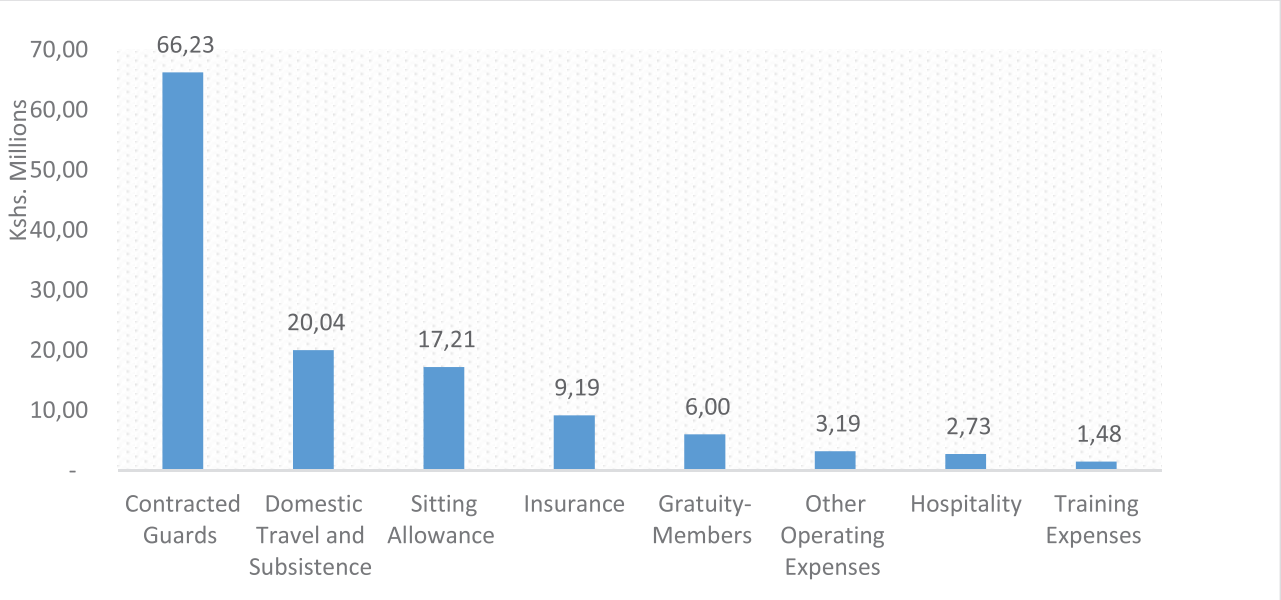
Source: Bungoma County Assembly

The County Assembly spent Kshs.17.20 million on committee sitting allowances for the 63 MCAs against the annual budget allocation of Kshs.51.23 million. The average monthly sitting allowance was Kshs.91,075 per MCA. The County Assembly has 24 House Committees.

3.3.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.125.11 million on operations and maintenance, representing a decrease of 10.4 per cent compared to FY 2024/25, when the County spent Kshs.139.61 million. Figure 17 summarises the Operations and Maintenance expenditure by major categories.

Figure 17: Bungoma County, Operations and Maintenance Expenditure by Major Categories



Source: *Bungoma County Treasury*

The contracted guards of Kshs.66.73 million relates to costs incurred on garbage collection.

3.3.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.3.19 million under "other Operating expenses" translating to 3 per cent of the cumulative operations and maintenance expenditure of Kshs.125.11 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.30.

Table 3.30: Breakdown of "Other Operating Expenses" under O&M Expenditures

Item	Budget (Kshs)	Expenditure (Kshs.)
Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	120,000	5,000
Temporary Committee Expenses	1,416,500	535,200
Temporary Committee Expenses	2,289,000	863,200
Other Capital Grants and Transfers	37,500,000	1,759,600
Pre-feasibility, Feasibility and Appraisal Studies	20,000,000	31,500
	61,325,500	**3,194,500**

Source: *Bungoma County Treasury*

3.3.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.200.25 million to County-established funds in FY 2025/26, or 1 per cent of the County's overall budget. This allocation includes Kshs.100 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.31 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.31: Performance of Bungoma County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
County Executive Established Funds							
1	Scholarships and Other Educational Benefits	2014	40,000,000		747,408	1,864,000,000	Yes
2	Trade Loan	2014	20,000,000		**263,567**	**135,551,583**	Yes
3	Women Empowerment Fund	2015	5,125,000				No
4	Disability Empowerment Fund	2016	5,125,000				No
5	Youth Empowerment Fund	2015	30,000,000				No
	Emergency Fund	2019	100,000,000	2,889,600	314,878	345,753,627	Yes
County Assembly Established Funds							
1	Employees' Car Loan and Mortgage Scheme Fund	2017			698,588	255,071,946	Yes
2	MCAs' Car Loan and Mortgage Scheme Fund	2014			714,355	314,606,924	Yes
	Total		**200,250,000**	**2,889,600**	**2,738,796**	**2,914,984,080**	

Source: *Bungoma County Treasury and Bungoma County Assembly*

During the reporting period, the CoB did not receive quarterly financial reports from the Youth Empowerment Fund, the Women Empowerment Fund, and the Disability Empowerment Fund Administrators, as indicated in Table 3.31, contrary to the requirement of Section 168 of the PFM Act, 2012. The administration costs of the Funds were within the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. During the reporting period, the CoB established that the lifespan of the Trade Loan Fund, the MCAs' Car Loan and Mortgage Scheme Fund, the Education Support Scheme, and the Youth and Women Fund had lapsed.

3.3.13 County Corporations

The County has one County Corporation, which was allocated Kshs.402.77 million in FY 2025/26. Their total expenditure for the review period amounted to Kshs.57.18 million, as shown in Table 3.32.

Table 3.32: Performance of Bungoma County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Revenue collected in the First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in First Quarter of FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Bungoma Water and Sewerage Plc-BWASCO	402,772,238		**58,066,766**	**57,183,438**	
	Total	402,772,238		**58,066,766**	**57,183,438**	

Source: *Bungoma County Treasury*

The County Treasury did not provide the cumulative transfers to the Bungoma Water and Sewerage Company since its inception.

3.3.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.20.04 million and comprised Kshs.7.16 million spent by the County Assembly and Kshs.12.88 million by the County Executive. Expenditure on foreign travel amounted to Kshs.0.39 million by the County Assembly. Expenditure on foreign travel is summarised in Table 3.33.

Table 3.33: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly	5	29th August 2025 to 30th August 2025	Facilitation to the Second UMUKUUKA 111 Royal Anniversary Dinner 2025	Uganda	388,759
Total					**388,759**

Source: Bungoma County Assembly

3.3.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.172.05 million as FIF, which was 13 per cent of the annual target of Kshs.1.29 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County, however, has not developed regulations to operationalise the FIF Act of 2023.

The expenditure by health facilities amounted to Kshs.165.72 million, as shown in Table 3.34.

Table 3.34: Bungoma County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1	Level 5 Hospital	2	671,296,847	99,876,955	15
2.	Level 4 Hospital	8	402,773,175	19,438,301	5
3.	Level 2& 3 Health Facilities	180	221,000,001	46,404,117	23
	Total		1,295,070,023	**165,719,372**	**13**

Source: *Bungoma County Treasury*

3.3.16 Development Expenditure

In the First Quarter of FY 2025/26, the County Government did not report any development expenditures, compared to a similar period in FY 2024/25, when the County spent Kshs.89.43 million.

3.3.17 Budget Performance by Department

Table 3.35 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.35: Bungoma County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs. Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Live-stock, Fisheries and Co-operative Devel-opment	70.06	535.02	1.64	-	1.01	-	61.7	-	1.4	-
Tourism, Forestry and Environment	375.27	244.49	74.73	42.84	74.07	-	99.1	-	19.7	-
Water and Natural Resources	60.32	743.41	-	-	-	-	-	-	-	-
Roads and Public Works	45.76	1,291.65	-	-	-	-	-	-	-	-
Education, Science and ICT	93.65	165.59	0.80	-	-	-	-	-	-	-
Health	1,471.70	225.03	3.70	-	-	-	-	-	-	-
Trade, Energy and Industrialisation	78.29	382.64	0.30	-	0.30	-	100.0	-	0.4	-
Gender, Culture, Youth and Sports	110.66	21.13	1.87	-	1.72	-	91.9	-	1.6	-
Land, Urban and Physical Planning	27.67	96.09	1.32	-	0.54	-	40.5	-	1.9	-
Bungoma Munici-pality	44.25	75.39	-	-	-	-	-	-	-	-
Kimilili Municipality	43.69	87.10	-	-	0.14	-	-	-	0.3	-
Housing	28.43	319.90	0.30	-	-	-	-	-	-	-
Finance And Plan-ning	384.47	225.00	7.41	2.89	6.67	-	89.9	-	1.7	-
County Public Service	38.29	13.23	2.41	-	2.36	-	97.7	-	6.2	-
Governor's	191.57	-	3.14	-	2.88	-	91.6	-	1.5	-
D/Governor's Office	39.61	-	-	-	-	-	-	-	-	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs. Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Administration	349.65	393.72	2.90	5.00	2.51	-	86.7	-	0.7	-
County Secretary	6,338.56	-	1,895.91	-	1,895.77	-	100.0	-	29.9	-
Sub County Administrators	8.47	-	-	-	-	-	-	-	-	-
ICT	15.99	-	-	-	-	-	-	-	-	-
County Attorney	76.91	-	-	-	-	-	-	-	-	-
Records Management	1.00	-	-	-	-	-	-	-	-	-
County Assembly	969.22	243.49	94.73	-	156.15	-	164.8	-	16.1	-
Total	10,863.51	5,062.89	2,091.16	50.73	2,144.10	-	102.5	-	19.7	-

***Source**: Bungoma County Treasury*

Analysis of expenditure by departments shows that the County Secretary recorded the highest absorption rate of the Recurrent budget at 30 per cent, followed by the Department of Tourism, Forestry, and Environment at 20 per cent. In comparison, Kimilili Municipality had the lowest at less than 1 per cent.

3.3.18 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Climate Change Institutional Support Grant in the Department of Environment, Tourism and Climate Change at 55 per cent, Administrative Services in the Department of Public Administration at 54 per cent and Employee Compensation in the Department of County Secretary at 30 per cent of the budget allocation. No development absorption was reported during the review period.

3.3.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 301 accounts in commercial banks, including 145 accounts for Health Facilities and Dispensaries, 14 accounts for Level 4 and 5 Hospitals, 116 accounts for Vocational Training Centres, 16 accounts for Established Funds, 6 accounts for the County Assembly operations and 4 revenue accounts.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 295 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.3.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 22nd October, 2025.
ii. The underperformance of own-source revenue at Kshs.285.72 million against an annual target of

Kshs.1.97 billion, representing 15 per cent of the financial year target, instead of the expected 25per cent.

iii. The County Treasury failed to appropriate the unspent cash balance from the previous financial year, which amounted to Kshs.686.93 million.

iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Trade Loan Fund, MCAs' Car Loan and Mortgage Scheme Fund, Education Support Scheme, and Youth and Women Fund had lapsed, making them ineligible for further withdrawals.

v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Youth and Women Fund and the Disability Fund were not submitted to the CoB as of 15 October 2025.

vi. High level of trade payables, which amounted to Kshs.4.25 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.

vii. Use of manual payroll. Personnel emoluments amounting to Kshs.4.30 million for 135 staff not onboarded into the Human Resource Information System (HRIS), salaries for 15 casual staff, wages for 3 Speaker' Partisan staff, and salary for 1 Board Member and Sitting Allowances were processed through manual payroll, accounting for less than 1 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.

viii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

ix. The County reported revenue arrears totalling Kshs.1.66 billion, including Kshs.1 billion in equitable share allocation for September 2025, Kshs.302.12 million in ordinary OSR, and Kshs.358.55 million in FIF from SHIF. These arrears have constrained the County's funding in the review period.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*

ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*

iii. *The County Treasury should prepare a Supplementary budget to appropriate the unspent cash balances from the previous financial year.*

iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*

v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

vii. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

viii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

ix. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.4. County Government of Busia

3.4.1 Overview of FY 2025/26 Budget

The Busia County Approved Budget for FY 2025/26 is Kshs.10.04 billion. It comprises Kshs.3.04 billion (30 per cent) and Kshs.7.00 billion (70 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.732.4 million (7 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.36 billion and a recurrent budget of Kshs.6.85 billion. The budget decrease was primarily due to a decline in the unspent cash balance from FY 2024/25.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.7.86 billion (78.0 per cent), additional allocations of Kshs.936.65 million (10 per cent), a cash balance of Kshs.531.81 million (5.0 per cent) brought forward from FY 2024/25, and Kshs.707.27 million (7.0 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.36.

3.4.2 Revenue Performance

During the first quarter of FY 2025/26, the County received Kshs.1.89 billion in revenue. This amount represented a decrease of 12.0 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.15 billion. The total revenue consisted of Kshs.1,275.29 million from the equitable share of revenue raised nationally and the own-source revenue (OSR) collection of Kshs.122.13 million. Additionally, the County had a cash balance of Kshs.531.81 million from FY 2024/25. The total OSR collection of Kshs.87.12 million included Facilities Improvement Financing (FIF) of Kshs.43.67 million, and Kshs.35.00 million from other OSR sources. Table 3.36 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.36: Busia County, Revenue Performance in FY 2025/26

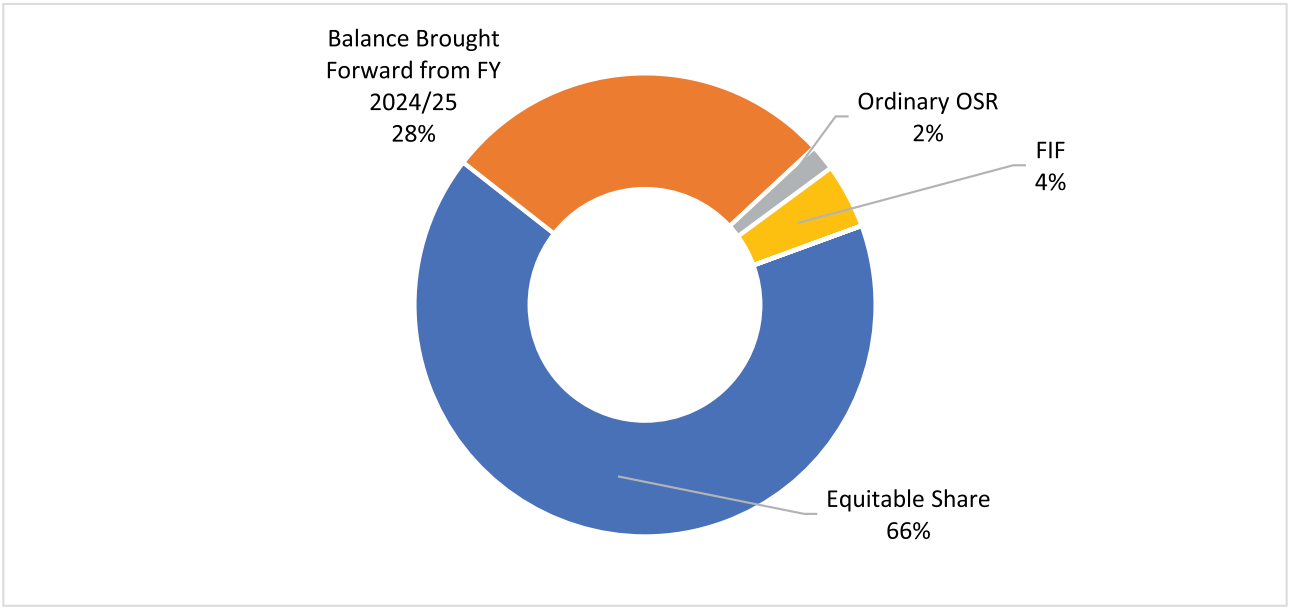
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	**7,862,026,089**	**1, 275, 294, 700**	**16**
Subtotal				
B	**Equalisation Fund Disbursement**	-	-	-
Subtotal		**7,862,026,089**	**1, 275, 294, 700**	**16**
C	**Additional Allocations**			
1	Kenya devolution support program II	352,500,000	-	-
2	National Agricultural Value Chain Development Project	235,500,000	-	-
3	FLLoCA – County climate resilience investment	217,000,000	-	-
4	Kenya devolution support grant I -Institutional Grant	37,500,000	-	-
5	Kenya Livestock Commercialisation Project	33, 550, 000	-	-
6	Aquaculture Business Development Project	22, 945, 560	-	-
7.	County Equalisation Fund	17,919,656	-	-
8	Kenya Agricultural Business Development Project	10,918,919	-	-
9	Affordable Housing Program	-8,817,410	-	-
Subtotal		**93-6,651,545**	**-**	**-**
D	**Ordinary Own Source Revenue (OSR)**			
1	Single business permit	100,000,000	6, 946, 469	7
2	Land rates arrears	65, 227, 438	639, 893	1
3	Transit produces cess	30, 674, 240	6, 097, 230	20

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
4	Bus parking fees	25, 471, 464	4, 243,430	17
5	Advertisement	20, 000, 000	1, 447, 540	7
6	Sugar cane cess	20, 000, 000	1, 489, 377	7
7	Market fees	20, 000, 000	3,138,280	16
8	Administrative services	11, 504, 805	597, 611	5
9	Other Ordinary OSR	109, 985, 119	10, 402, 045	9
Subtotal		**399, 771, 576**	**35, 001, 875**	**9**
E	**Facility Improvement Fund (FIF)**			
1	Busia County Referral Hospital	108, 073, 317	20, 071, 084	19
2	Port Victoria Hospital	37,032, 053	3, 027, 522	8
3	Khunyangu hospital	27, 582, 899	2, 623, 971	9
4	Kocholya hospital	21, 463, 254	3, 585, 615	17
5	Health centres'	21,348, 582	19, 247, 683	90
6	Other FIF Revenue streams	91, 995, 745	38, 567, 927	13
Subtotal		**307, 495, 850**	**87, 123, 802**	**14**
F	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	303, 400, 907	303, 400,907	100
	Balances at SPAs	227, 022, 428	227, 022, 428	100
2	County Assembly Refunds to CRF	1, 158,654	1,158, 654	100
3	County Assembly Refunds to CRF	225, 633	225, 633	100
Subtotal		**531, 807, 622**	**531, 807, 622**	**100**
Grand Total		**10,037,752, 683**	**1, 885, 774, 684**	**19**

Source: *Busia County Treasury*

The County has governing legislation on the operation of FIF. Figure 18 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

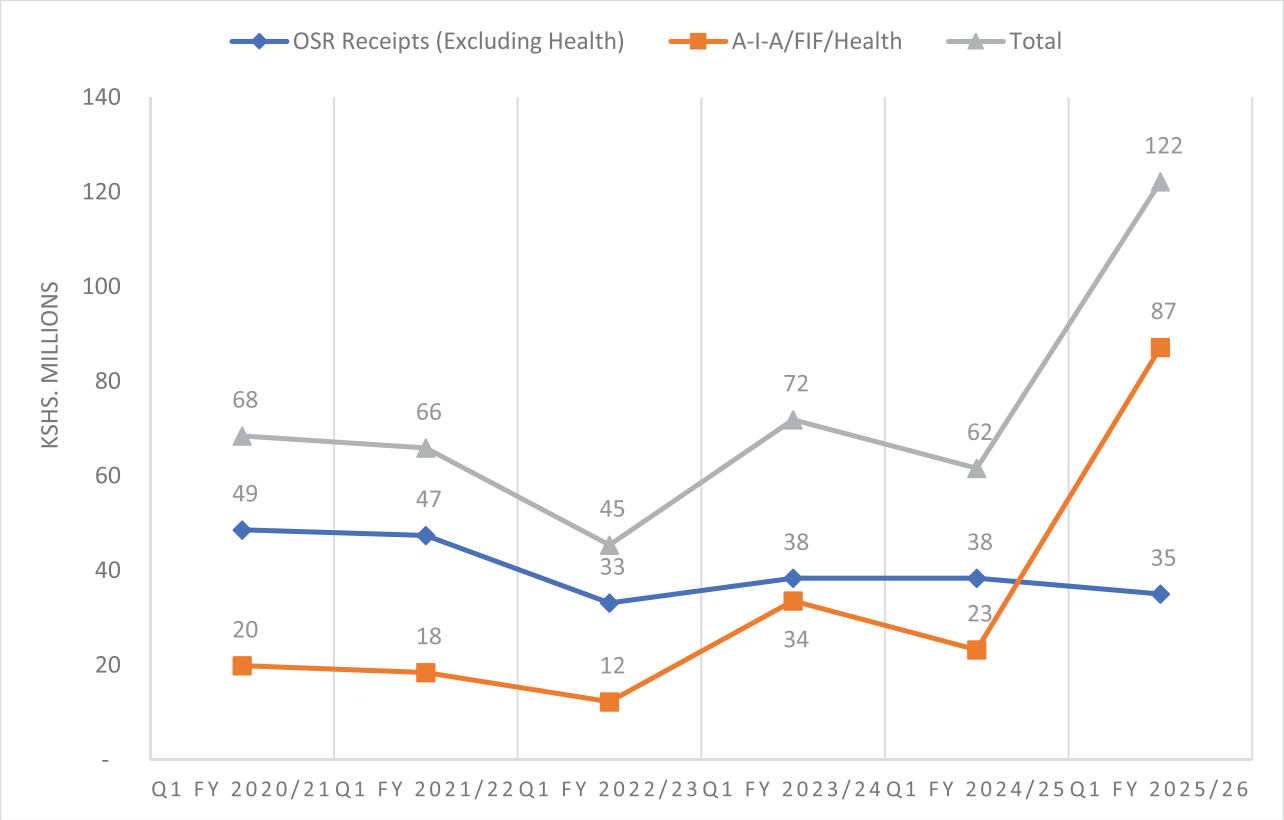
Figure 18: Busia County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Busia County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 66 per cent, 28 per cent and 6 per cent, respectively of the total receipts for the reporting period. Figure 19 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

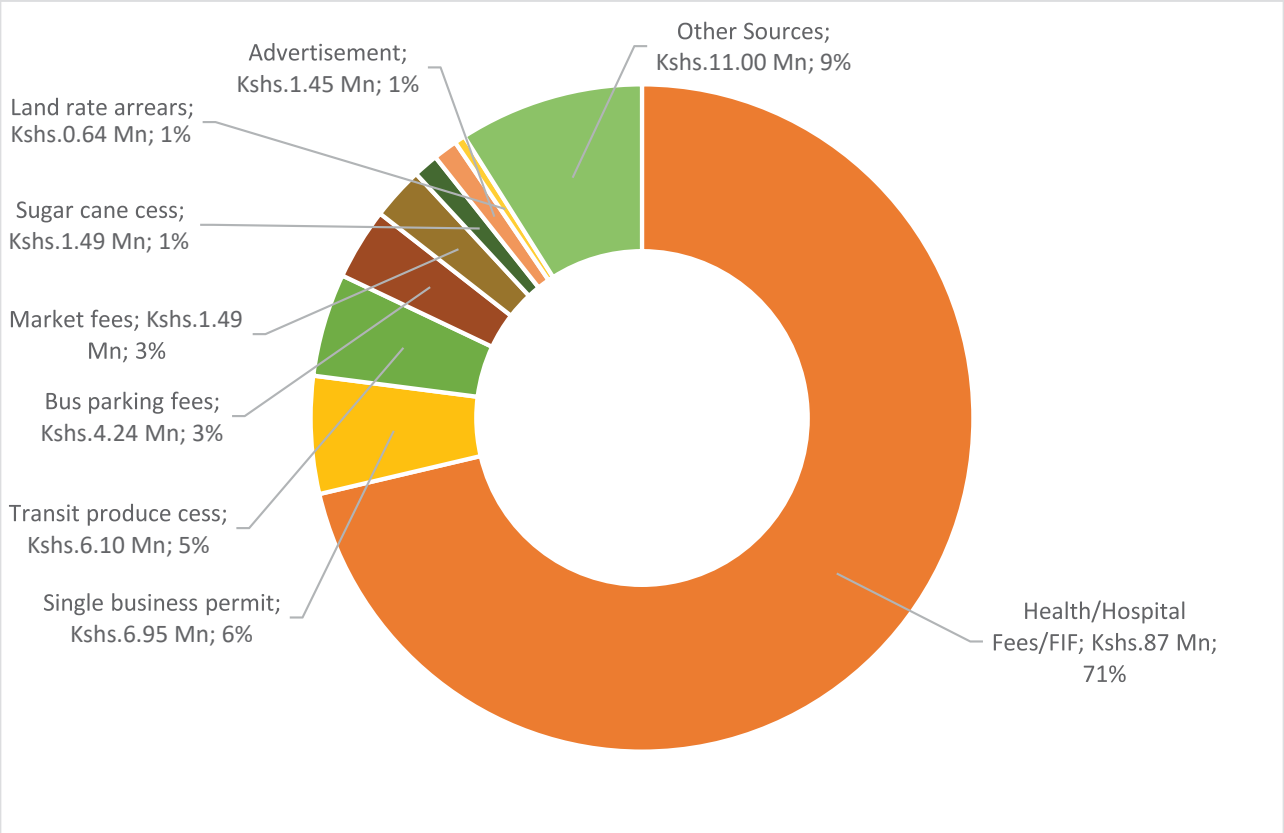
Figure 19: Busia County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Busia County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.122.13 million from its revenue sources, including FIF. This amount represented a 97 per cent increase compared to the Kshs.61.89 million realised in a similar period in FY 2024/25 and accounted for 17 per cent of the annual target and 10 per cent of the equitable revenue share disbursed. The increase in OSR was attributed to increased FIF collections. The revenue streams that contributed the highest OSR receipts are shown in Figure 20.

Figure 20: Busia County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Busia County Treasury

As shown in Figure 20, the highest revenue stream, at Kshs.87 million, was from the Facility Improvement Fund, accounting for 71 per cent of the total OSR receipts.

3.4.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.746.58 million, this amount increased to Kshs 1.41 billion as of September 30, 2025. Table 3.37 presents a breakdown of the County's revenue arrears.

Table 3.37: Busia County Reve nue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September 2025	**0**	**0**	**0**	**676, 307, 945**	**676, 307, 945**
	Sub-Total	**0**	**0**	**0**	**676, 307, 945**	**676, 307, 945**
B	**Transfers from the Equalisation Fund**					
1						
	Sub-Total					
C	**Additional Allocations**					
1	**FLLoCA – County climate resilient investment grant**	217, 000, 000	0	12, 705, 306	0	204, 294, 694
2	**National value chain development program**	165, 424, 528	0	0	0	165, 424, 528
3	**County-aggregated industrial park**	116, 631, 579	0	0	0	116, 631, 579
4	Kenya urban support program II - UDG	76, 464, 543	0	0	0	76, 464, 543

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
5	Kenya devolution support program II	37, 500, 000	0	0	0	37, 500, 000
6	Aquaculture business development project	22, 585, 560	0	0	0	22, 585, 560
7	County Equalisation Fund	17, 919, 656	**0**	**0**	**0**	**17,919, 656**
8	FLLoCA – County climate institutional support grant	11, 000, 000	0	0	0	11, 000,000
9	Nutrition international	6, 000, 000	0	0	0	6, 000, 000
10	Kenya urban support program II - UIG	2, 690, 700	0	0	0	2, 690, 700
11	DANIDA	427, 500	0	0	0	427,500
12	Kenya livestock commercialisation project	126, 492	0	0	0	126, 492
	Sub-Total	**639, 169, 334**	**0**	**12, 705,306**	**0**	**626, 464, 028**
E	**Facility Improvement Fund (FIF)**					
1	SHIF	86, 900, 350	0	86, 900, 350	257, 739, 239	257, 739, 239
2	Defunct NHIF	20, 510, 166	0	0	0	20, 510, 166
	Sub-Total	**107, 410, 516**	**0**	**0**	**0**	**107, 410, 516**
Total		**746, 579, 850**	**0**	**99, 605, 656**	**934, 047, 184**	**1,581,020,433**

Source: Busia *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.1.58 billion, comprising Kshs.676.31 million for the equitable share of revenue raised nationally, Kshs.626.46 million from additional allocations, and Kshs.107.41 million from the Facility Improvement Fund.

3.4.4 Borrowing by the County

The County Government of Busia did not disclose any borrowing during the reporting period.

3.4.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.19 billion from the CRF account during the reporting period, which was entirely for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.02 billion was towards employee compensation and Kshs.136.69 million for operations and maintenance expenditure.

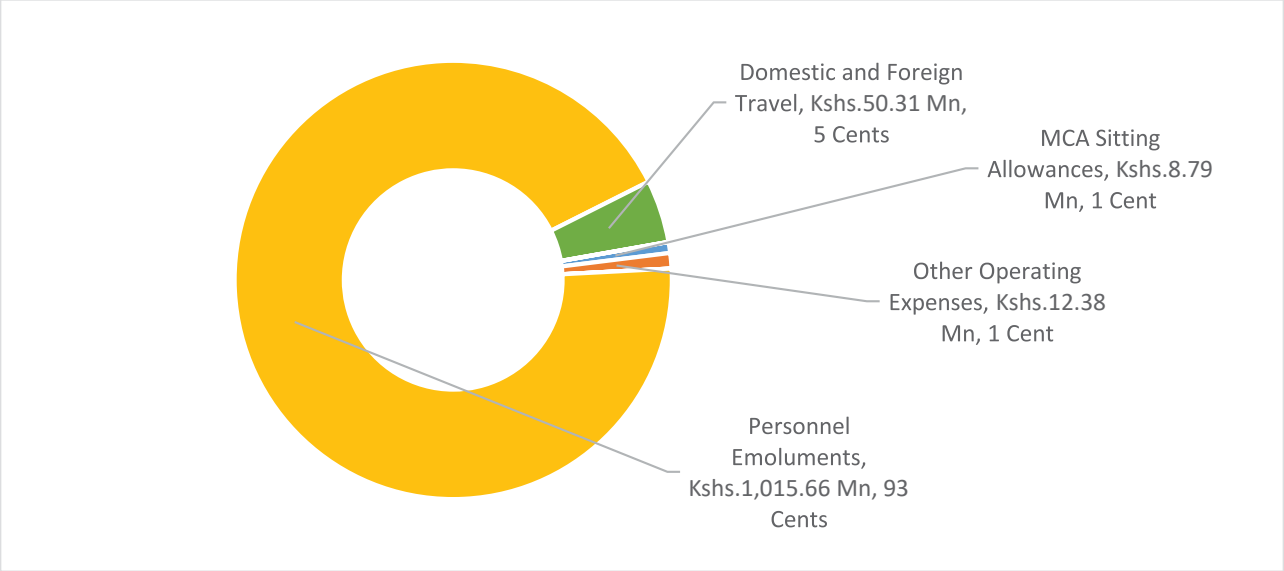
The operations and maintenance exchequer analysis indicate that 67 per cent was for domestic travel and 1.4 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.66.87 million and included Kshs.46.11 million for the County Executive and Kshs.20.76 million for the County Assembly. The foreign exchequer totalled Kshs.2.03 million entirely for the County Executive.

As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.789.39 million.

3.4.6 Expenditure Review

The County spent Kshs.1.15 billion on recurrent programmes in the reporting period. The expenditure represented 97 per cent of the total funds released by the CoB. There was no expenditure on development programmes, while recurrent expenditure represented 17 per cent of the annual recurrent expenditure budget. Figure 21 provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 21: Busia County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Busia *County Treasury*

As shown in Figure 21, the three highest expenditure categories were personnel emoluments, domestic and foreign travel, other operations & maintenance expenses, and MCAs' sitting allowance, contributing 93 per cent, 5 per cent, 1 per cent, and 1 per cent, respectively, of total recurrent expenditure for the reporting period.

3.4.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.3.26 billion. This amount included Kshs.2.64 billion from the County Executive and Kshs.620.48 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.38 billion for recurrent expenditures and Kshs.1.26 billion for development expenditures. The trade payables for the County Assembly were entirely for recurrent activities.

During the reporting period, the County Executive and Assembly did not settle any trade payables. The outstanding trade payables as of 30th September 2025 were therefore Kshs.2.64 billion for the County Executive and Kshs.620.48 million for the County Assembly. Table 3.38 provides additional details of trade payables.

Table 3.38: Busia County Trade Payables as of 30th September 2025

	Trade payables as of 1 July 2025 (Kshs.)	Trade payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding trade payables as at 30 September 2025 (Kshs.)
	A	B	C	D=A-C
County Executive				
Recurrent	1, 382, 343, 684	345, 585, 921	0	1, 382, 343, 684
Development	1, 258, 899, 945	314, 724, 986	0	1, 258, 899, 945
Total	**2, 641, 243, 628**	**660, 310, 907**	**0**	**2, 641, 243, 628**
County Assembly				
Recurrent	620,481,376	155, 120, 344	0	620, 481, 376
Development	0	0	0	0
Total	**620, 481, 376**	**0**	**0**	**620, 481, 376**
Total	**3, 261, 725, 004**	**815, 431, 251**	**0**	**3, 261, 725, 004**

Source: *Busia County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.660.31 million and Kshs.155.12 million, respectively, in the first quarter of FY 2025/26. The County did not adhere to this payment plan.

Table 3.39 and Table 3.40 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.3.26 billion.

Table 3.39: Busia County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**591,152,235**	**317,983,854**	**58,434,914**	**291,328,942**	**1,258,899,945**
Recurrent Trade Payables (Goods & Services)	524,879,084	368,234,512	207,548,958	281,645,130	**1,382,343,684**
Total Recurrent Trade Payables	524,879,084	368,234,512	207,548,958	281,645,130	**1,382,343,684**
Total Trade Payables	**1,116,031,319**	**686,218,365**	**266,019,872**	**572,974,072**	**2,641,243,628**
% of Total	**42.0%**	**26.0%**	**10.0%**	**22.0%**	**100%**

Source: *Busia County Treasury*

As illustrated in Table 3.39, 68 per cent of Busia Executive payables are less the two years old. Nonetheless, there is a need to clear the backlog of 22 per cent of payables that are over three years old.

Table 3.40: Busia County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**0**	**0**	**0**	**0**	**0**
Recurrent Trade Payables (Goods & Services)	20,405,793	4,297,490	5,734,779	2,476,638	**32,914,700**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	190,927,605	359,504,151	6,907,086	0	**556,528,842**
Recurrent Trade Payables (Staff Claims)	10,403,495	20,635,340			**31,037,935**
Total Recurrent Trade Payables	**221,735,893**	**384,436,981**	**11,831,865**	**2,476,634**	**620,481,376**
% of Total	**35.0%**	**62.0%**	**2.0%**	**0.5%**	**100%**

Source: *Busia County Treasury*

Under the ageing analysis, bills over 3 years account for 18 per cent of the total trade payables. If the Busia County Government had used the FIFO method to settle trade payables, those over 3 years old would have been settled. The County Government of Busia did not adhere to its trade payables payment plan as submitted to the Controller of Budget at the start of FY 2025/26.

3.4.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.950.85 million for compensation of employees, and Kshs.85.08 million for operations and maintenance. Similarly, the County Assembly spent Kshs.64.81 million on compensation of employees, and Kshs.51.61 million on operations and maintenance, as shown in Table 3.41.

Table 3.41: Busia County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,828,623,137**	**859,382,566**	**1,035,930,732**	**116,424,074**	**18.0**	**14.0**
Compensation of Employees	4,035,146,393	437,185,491	950,852,767	64,810,528	24.0	15.0
Operations and Maintenance	1,793,476,744	422,197,075	85,077,965	51,613,546	5.0	12.0
Development Expenditure	**2,987,751,130**	**54,500,000**	-	-	-	-
Total	**8,816,374,267**	**913,882,566**	**1,035,930,732**	**116,424,074**	**12.0**	**13.0**

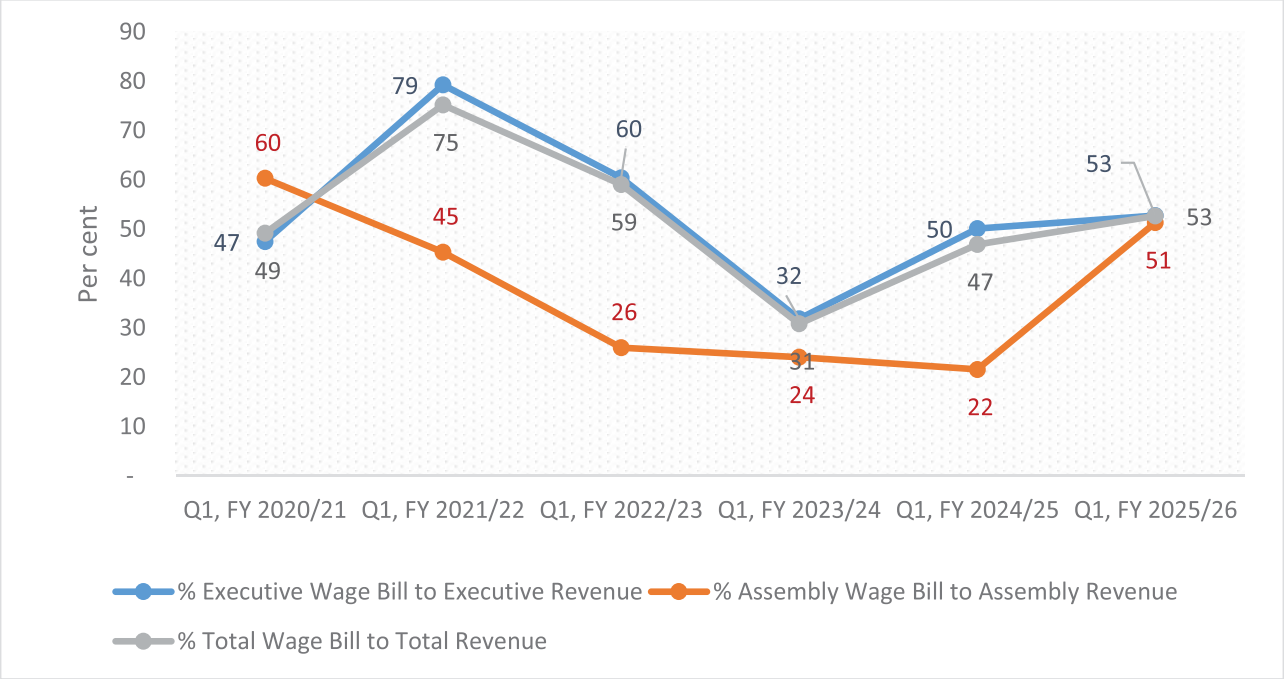
Source: *Busia County Treasury*

3.4.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.02 billion. The percentage of compensation of employees to revenue was 54.0 per cent of the available revenue during the period of Kshs.1.87 billion. This expenditure on employee compensation shows an increase compared to the Kshs.681.35 million reported in a similar period in FY 2024/25. Of this total, Kshs.477.35 million for Health Sector employees, accounting for 47 per cent of overall employees' compensation. This increase was due to the implementation of an HR reform requiring payroll expenditure to be processed through IFMIS before funds are requested.

Figure 22 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 22: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Busia County Treasury

As shown in Figure 22, the both County Executive and Assembly apportioned slightly above 50 per cent of their revenues in the first three months of FY 2025/26 towards compensation of employees. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period

Further analysis indicated that PE costs amounting to Kshs.1.0 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.59.25 million was processed through manual payroll, which accounted for 5.8 per cent of the total PE cost.

The manual payroll comprised salaries for 60 staff not onboarded into the Human Resource Information System (HRIS), salaries for 991 casual staff, stipend for 2190 community health promoters, and gratuity remittances to pension schemes for 224 staff on contract, as shown in Table 3.42.

Table 3.42: Breakdown of Busia County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
1	Salaries for staff yet to be onboarded into HRIS	17, 630, 867
2	Salaries for casual staff	23, 515, 007
3	Community health promoters'	10, 950, 000
4	Gratuity for contract staff	7,156,428

Sno.	Description of Manual Payroll	Amount (Kshs.)
5	**Total**	**59, 252, 302**

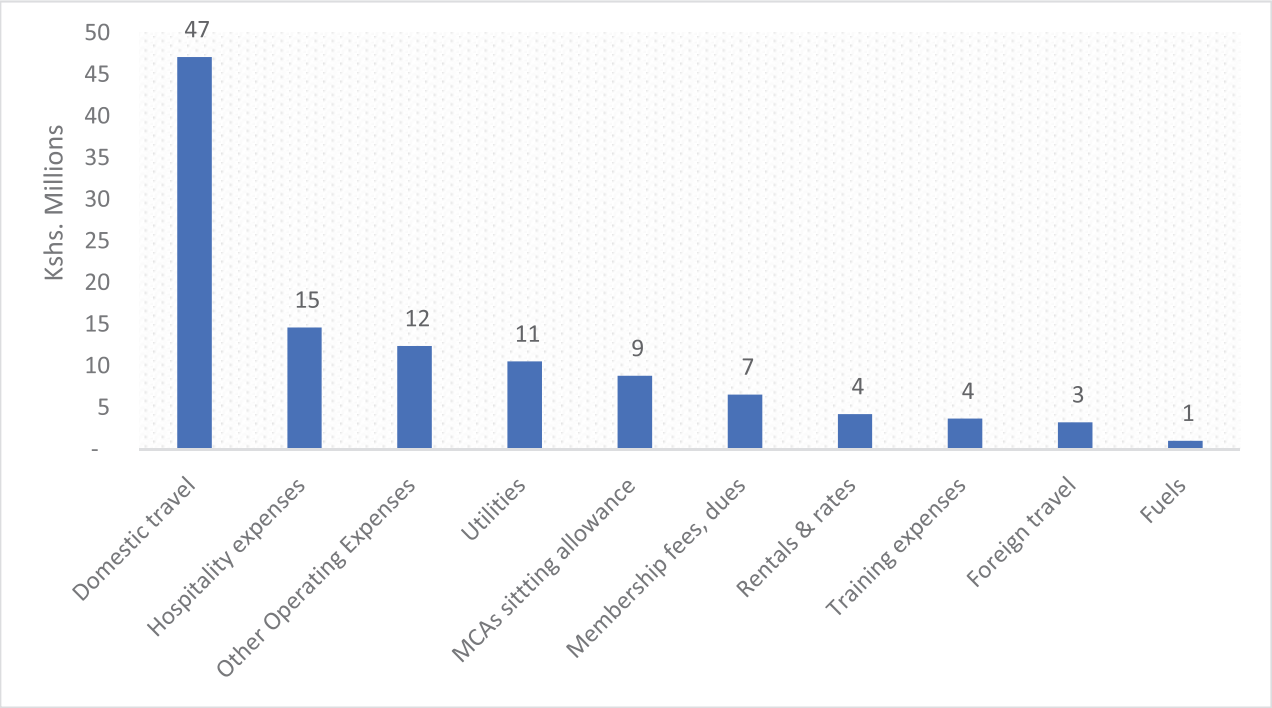
Source: Busia County Treasury

The County Assembly spent Kshs.8.79 million on committee sitting allowances for the 53 MCAs against the annual budget allocation of Kshs.70.81 million. The average monthly sitting allowance was Kshs.54, 255 per MCA. The County Assembly has 19 House Committees.

3.4.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.136.69 million on operations and maintenance, representing a decrease of 74 per cent compared to a similar period of FY 2024/25, when the County spent Kshs.516.34 million. Figure 23 summarises the Operations and Maintenance expenditure by major categories.

Figure 23: Busia County, Operations and Maintenance Expenditure by Major Categories



Source: *Busia County Treasury*

3.4.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.12.28 million under "other Operating expenses" translates to 9.0 per cent of the cumulative operations and maintenance expenditure of Kshs.136.69 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.43.

Table 3.43: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211399	Other operating expenses-others	4,100,000	1,394,000
2211399	Other operating expenses-others	95,004,260	10,982,366
	Total	**99, 104, 260**	**12, 276, 366**

Source: *Busia County Treasury*

A review of the other expense items in the table revealed that some expenditures with clear, unique budget codes were erroneously aggregated under the "Other Operating Expenses" category.

3.4.12 County-Estab lished Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.73.5 million to County-Established funds in FY 2025/26, or 1.0 per cent of the County's overall budget. The County did not allocate any funds to the Emergency Fund contrary to the requirement of Section 110 of the PFM Act, 2012. Table 3.44 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.44: Performance of Busia County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1	Agriculture development fund	2015	-	-	-	90, 000, 000	No
2	Bursaries and scholarships	2014	61, 000, 000	-	-	117, 800, 000	No
3	Cooperative enterprise fund	2016	12, 500, 000	-	-	123, 005, 000	No
4	County Executive Revolving Fund	2017	0	-	-	222, 000, 000	No
		County Assembly Established Funds					
1	County Assembly revolving fund	2014	-	-	-	641, 249, 842	
	Total		**73, 500, 000**			**1,229,854, 842**	

Source: *Busia County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from all Fund Administrators, as indicated in Table 3.44, contrary to the requirement of Section 168 of the PFM Act, 2012. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of all the Fund had lapsed.

3.4.13 County Corporations

The County has one County Corporation, which did not have any budgetary allocation in FY 2025/26, as shown in Table 3.45.

Table 3.45: Performance of Busia County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Busia water & sewerage company	0	0	0	13, 500, 000
	Total	0	0	0	13, 500, 000

Source: *Busia County Treasury*

3.4.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.47.09 million and comprised Kshs.22.48 million spent by the County Assembly and Kshs.24.61 million by the County Executive. Expenditure on foreign travel amounted to Kshs.3.22 million and comprised Kshs.0.54 million by the County Assembly and Kshs.2.68 million by the County Executive. Expenditure on foreign travel is summarised in Table 3.46.

Table 3.46: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Executive	4	1st July to 15th August 2025	Attending the UN General Assembly meeting	New York	2,026, 300
Total					**2,026, 300**

Source: Busia County Treasury and Busia County Assembly

3.4.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.87.12 million as FIF, which was 29 per cent of the annual target of Kshs.302.7 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.6.43 million, as shown in Table 3.47.

Table 3.47: Busia County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 4 Hospital	6	246, 365, 428	5, 406, 780	2
2.	Level 3 Facility	16	43, 739, 737	320, 000	1
3.	Level 2 Facility	72	17, 390, 685	70, 000	0.4
	Total		**307, 495, 850**	**6, 426, 780**	**2**

Source: *Busia County Treasury*

3.4.16 Development Expenditure

In the review period, the County did not report any expenditure on development programmes, compared to a similar period of FY 2024/25, when the County spent Kshs.328.59 million. The decline in development expenditure was attributed to the delay in resolving the budget stalemate between the two arms of government. The budget was assented to on 7th August 2025 and uploaded on IFMIS on 28th August 2025.

The County did not report any stalled development projects as of 30th September 2025.

3.4.17 Budget Performance by Department

Table 3.48 summarises the approved budget allocation, expenditure, and absorption rate by departments in the period under review.

Table 3.48: Busia County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock	271.09	545.16	5.79	-	2.96	-	51.0	-	1.0	-
Trade, cooperative, Tourism & industry	101.15	240.71	10.10	-	11.61	-	115	-	11.0	-
Education & vocational training	688.84	116.00	85.78	-	84.95	-	99.0	-	12.0	-
Finance & economic planning	673.97	22,92	125.06	-	128.01	-	102	-	20.0	-
Youths, sports, culture, gender, arts	209.21	25.50	15.34	-	15.78	-	103	-	8.0	-

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, roads & Public works.	166.75	621.86	1.00	-	-	-	0.0	-	0.0	-
Public service management	747.63	-	52.29	-	120.18	-	230	-	16.0	-
Lands, housing & urban development	132.98	108.50	28.85	-	24.46	-	85	-	18.0	-
Water, environment, irrigation	166.86	722.50	1.50	-	8.57	-	571	-	5.0	-
Health and sanitation	2,093.22	548.60	730.15	-	623.01	-	85	-	30.0	-
Public service board	97.88	-	0.50	-	3.48	-	696	-	4.0	-
Office of the Governor	352.93	28.00	10.34	-	12.92	-	125	-	4.0	-
County Assembly	859.38	54.50	126.32	-	116.42	-	92	-	14.0	-
County Attorney	70.36	-	0.50	-	0.00	-	0.0	-	-	-
Strategic partnerships & digital econ	55.74	8.00	0.50	-	0.00	-	0.0	-	-	-
	6,688.00	**3,042.25**	**1,194.03**	**-**	**1,152.35**	**-**	**97.0**	**-**	**17.0**	**-**

***Source**: Busia County Treasury*

Analysis of expenditure by departments shows that the Department of Health and Sanitation recorded the highest absorption rate of recurrent budget at 30 per cent, followed by the Department of Finance & Economic Planning at 20 per cent. There was no expenditure under the development budget.

3.4.18 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General administration and support services in the Department of Health and sanitation at 31 per cent, General administration, policy planning and support services in the Department of Finance and economic planning at 19.0 per cent, General administration and support services in the Department of Public service management at 16 per cent, and General administration and support services at County Assembly at 14.0 per cent of the budget allocation. No development absorption was reported during the review period.

3.4.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 57 accounts in commercial banks, including 49 accounts for Health Facilities, 2 for Established Funds, 1 revenue account, 2 special-purpose accounts (for additional allocations), and 3 for imprest operations.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 57 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.4.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.122.13 million against an annual target of Kshs.707.27 million, representing 17.0 per cent of the financial year target.
ii. Low development performance in the review period as the County incurred Kshs.0.00 million on development activities, achieving a 0.0 per cent absorption rate.
iii. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Education and Scholarship Benefits Fund and the Car Loan and Mortgage Fund had lapsed, making them ineligible for further withdrawals.
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. Reports for all funds were not submitted to the CoB as of 15 October 2025.
v. High level of trade payables, which amounted to Kshs.3.26 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vi. Use of manual payroll. Personnel emoluments amounting to Kshs.59.25 million for 60 staff not onboarded into HRIS and 991 casual staff were processed through manual payroll, accounting for 5.8 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
viii. The County reported Kshs.12.28 million under "*other operating expenses,*" accounting for 9.0 per cent of total operation and maintenance costs. The review revealed that this category was misused to record items with specific budget item codes, distorting the cost structure, reducing financial transparency, and weakening accountability in public fund management.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vi. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
viii. *The County Treasury should adhere to the approved budget classification framework by ensuring that all expenditures are recorded under their specific budget codes rather than being aggregated under the "Other Operating Expenses" category.*

3.5. County Government of Elegyo-Marakwet

3.5.1 Overview of FY 2025/26 Budget

The Elgeyo Marakwet County Approved Budget for FY 2025/26 is Kshs.8.85 billion. It comprises Kshs.3.97 billion (45 per cent) and Kshs.4.88 billion (55 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.949.74 million (12 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.15 billion and a recurrent budget of Kshs.4.75 billion. The increase in the budget was primarily attributed to the budgeting of additional allocation brought forward from the previous financial year.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.5.04 billion (57 per cent), additional allocations of Kshs.1.43 billion. billion (16 per cent), a cash balance of Kshs.1.91 billion (22 per cent) brought forward from FY 2024/25, and Kshs.457.42 million (5 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.49.

3.5.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.86 billion in revenue. This amount represented an increase of 44 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.27 billion. The total revenue consisted of Kshs.870.76 million from the equitable share of revenue raised nationally, and own-source revenue (OSR) collection of Kshs.80.96 million. Additionally, the County had a cash balance of Kshs.1.91 billion from FY 2024/25. The total OSR collection of Kshs.80.95 million included Facilities Improvement Financing (FIF) of Kshs.68.81 million, and Kshs.12.14 million from other OSR sources. Table 3.49 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.49: Elgeyo Marakwet County, Revenue Performance in FY 2025/26

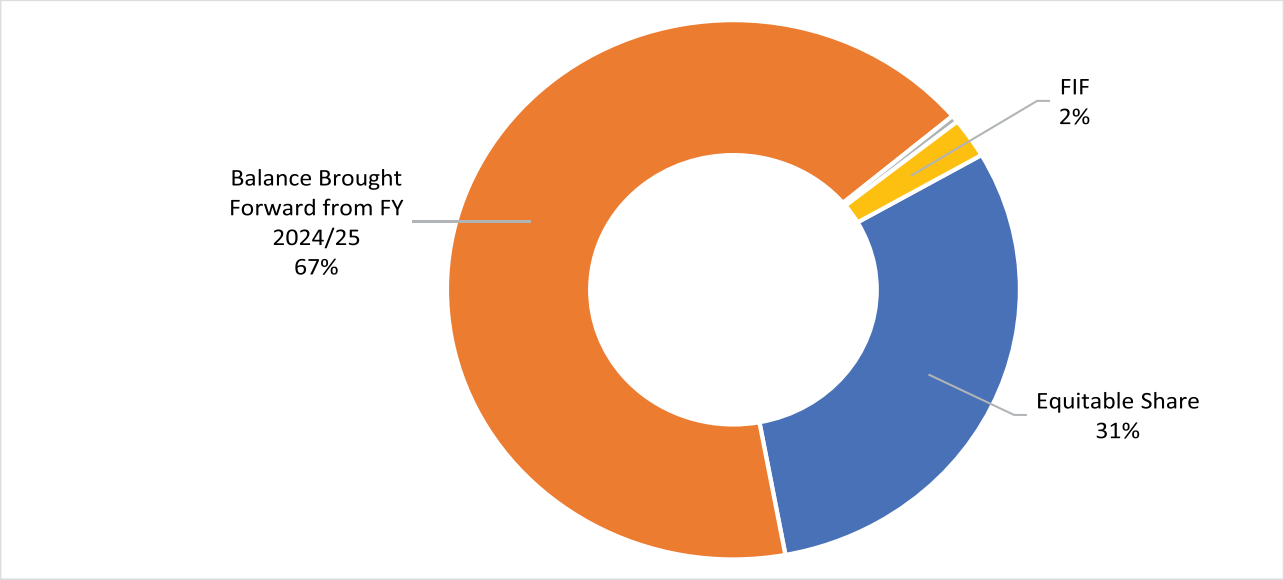
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	**5,049,704,514**	**870,757,084**	**17**
Subtotal				
B	**Equalisation Fund Disbursement**	**0**	**0**	-
Subtotal				
C	**Additional Allocations**			
1	DANIDA	6,222,000	0	-
2	Kenya Livestock Commercialisation Project	65,350,000	0	-
3	Food Systems Resilience Project	246,153,846	0	-
4	Financing Locally Led Climate Action (FLoCCA) CCRI Grant	79,818,750	0	-
5	Financing Locally Led Climate Action (FLoCCA) CCRI Grant	15,480,000	0	-
6.	Financing Locally Led Climate Action (FLoCCA) CCIS Grant	1,560,900	0	-
7.	Kenya Information Settlement Improvement Program II- IDA	25,000,000	0	-
8.	Kenya Informal Settlement Improvement Program II-IFAD	150,000,000	0	-
9.	Kenya Urban Support Programme-UDG	16,770,000	0	-
10	Kenya Urban Support Programme- UIG	133,202,235	0	-
11	County Aggregated Industrial Park	250,000,000	0	-
12	Government Health Workers Salary Arrears	15,685,017	0	-
13	KDSP-II Level 2 Grant	352,500,000	0	-
14	KDSP-II Level 1 Grant	37,500,000	0	-
15	Community Health Promoters	37,200,000	0	-
Subtotal		**1,432,442,748**	**0**	**0**

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
D	**Ordinary Own Source Revenue (OSR)**			
1	Produce and other Cess	24,000,000	3,164,840	13
2	Market fees and others	6,000,000	2,706,994	45
3	Single Business Permit	23,000,000	1,378,345	6
4	Other Revenue Sources	2,153,258	1,115,983	52
5	Land rates /Plots	7,700,000	1,066,029	14
6	Bus Park/Motorcycles fees	7,500,000	1,030,400	14
7	House Rent/Ground hire	1,720,000	438,920	26
8	Slaughterhouse fees	3,500,000	320,300	9
9	Animal Stock Auction fees	4,700,000	274,100	6
10.	Promotion and advertisement fees	7,800,000	226,600	3
11	VSD Funds	1,000,000	164,255	16
12	Recoveries	1,500,000	69,815	5
13	Agriculture	30,000	39,000	130
14	Tourism	2,000,000	36,100	2
15	Conservancy fees	3,800,000	27,600	1
16	Clearance Fees	220,000	21,200	10
17	Fines	2,200,000	25,446	1
18	Plan approval fee	4,700,000	18,000	0
19	Trade	456,614	12,000	3
20	Trade application fees	2,800,000	7,500	0
21	Hire of road equipment	550,000	-	-
22	Hides and skins	100,000	-	-
Subtotal		**107,429,872**	**12,143,447**	**11**
E	**Facility Improvement Fund (FIF)**			
1	Other FIF Sources	345,000,000	68,486,654	20
2	Public Health Services	5,000,000	326,811	7
Subtotal		**350,000,000**	**68,813,465**	**20**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	1,910,036,119	1,912,367,969	100
Grand Total				

Source: *Elgeyo Marakwet County Treasury*

Figure 24 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

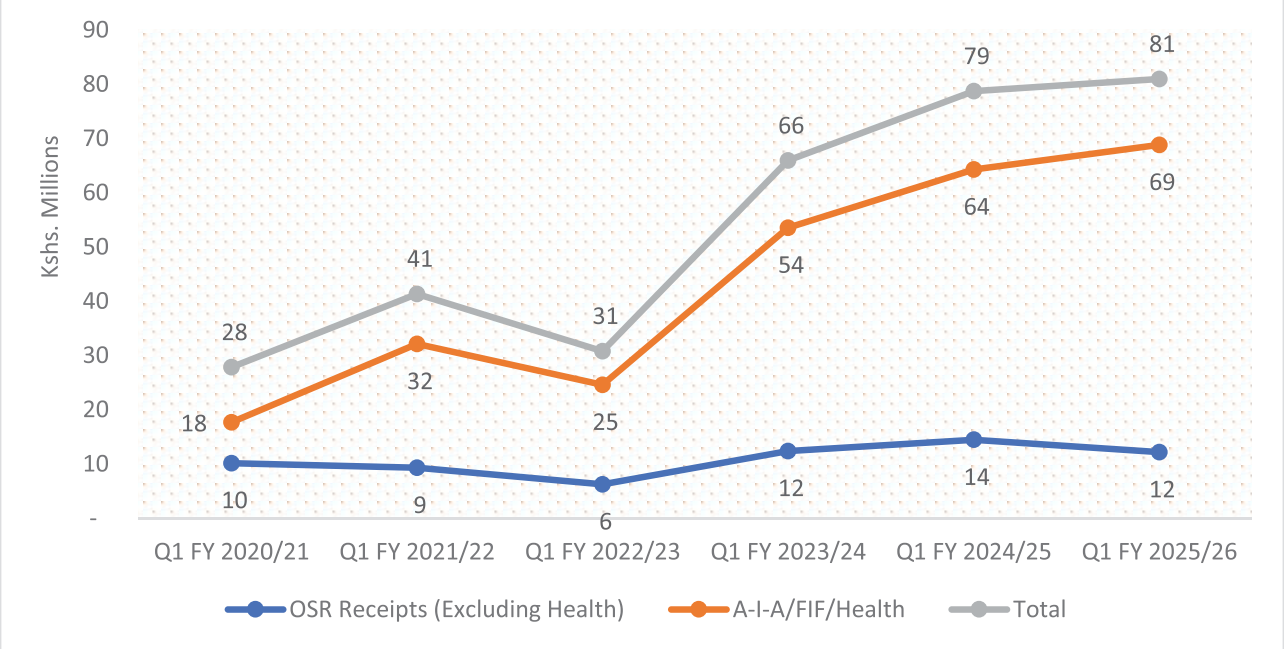
Figure 24: Elgeyo Marakwet County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Elgeyo Marakwet County Treasury*

The balance brought forward, equitable share of revenue raised nationally, and OSR contributed 67 per cent, 31 per cent and 2 per cent, respectively, of the total receipts for the reporting period. Figure 25 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 25: Elgeyo County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

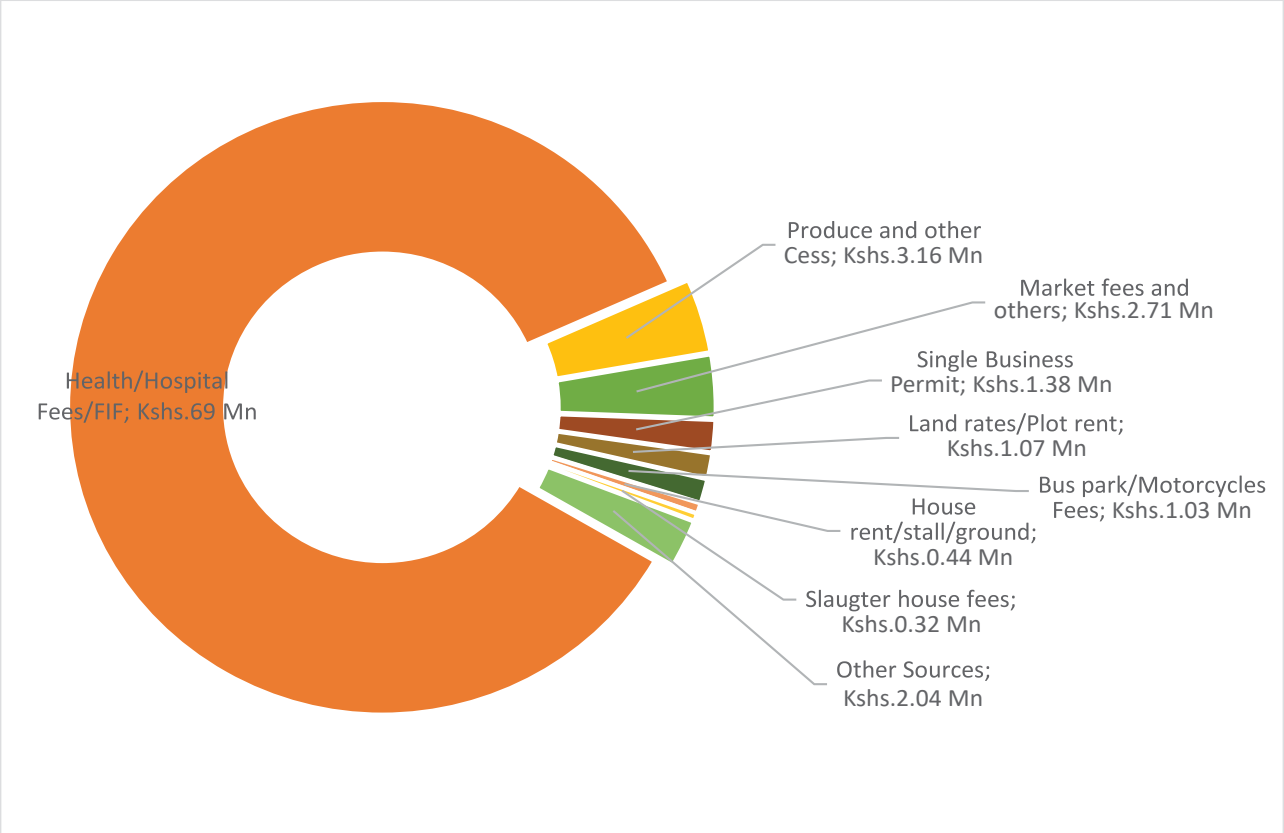


Source: *Elgeyo County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.80.95 million from its revenue sources, including FIF. This amount was an increase of 2.7 per cent compared to Kshs.78.81 million realised in a similar period in FY 2024/25, which was 18 per cent of the annual target and 9 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to automating three more revenue streams and increasing taxpayer engagement. The revenue streams which contributed the highest OSR receipts are shown in Figure 26.

Figure 26: Elgeyo Marakwet County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Elgeyo Marakwet County Treasury

As shown in Figure 26, the highest revenue stream, at Kshs.68.81 million, was from Health/FIF, accounting for 85 per cent of the total OSR receipts. The County Government indicated that it has automated 13 out of 16 revenue streams.

3.5.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.173.12 million, this amount decreased to Kshs.172.05 million as of 30th September 2025. Table 3.50 presents a breakdown of the County's revenue arrears.

Table 3.50: Elgeyo Marakwet County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Ordinary Own Sources of Revenue**					
1	**Plot Rent**	**84,208,348**		**891,184**		**83,317,164**
2	**Land rates**	**88,912,704**		**174,845**		**88,737,859**
	Sub-Total	**173,121,052**		**1,066,029**		**172,055,023**
Total		**173,121,052**		**1,066,029**		172,055,023

Source: Elgeyo Marakwet *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.173.12 million, comprising Kshs.83.32 million for plot rent (49 per cent) and Kshs.88.74 million for land rates(51 per cent). The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include sensitising taxpayers and taking legal action against defaulters.

3.5.4 Borrowing by the County

The County did not have any borrowing during the period under review.

3.5.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.743.51 million from the CRF account during the reporting period, which comprised Kshs.743.51 million (100 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.705.83 million was towards employee compensation and Kshs.37.67 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 15 per cent was for domestic travel, and there was no foreign travel. The domestic travel exchequer amounted to Kshs.14.74 million and included Kshs.0.09 million for the County Executive and Kshs.14.65 million for the County Assembly. There was no foreign travel exchequer for the period under review.

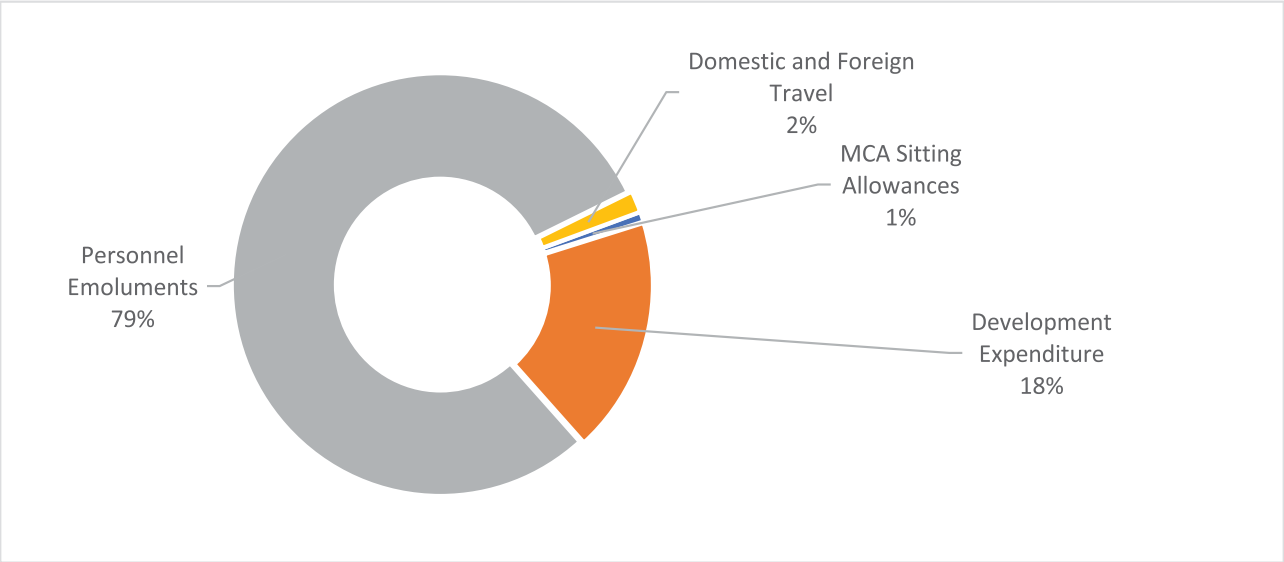
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.141,542,655.

3.5.6 Expenditure Review

The County spent Kshs.904.90 million on development and recurrent programmes in the reporting period. The expenditure represented 122 per cent of the total funds released by the CoB. It comprised Kshs.161.04 million for development programmes and Kshs.743.86 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 4 per cent, while recurrent expenditure represented 15 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 27: Elgeyo Marakwet County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Elgeyo County *County Treasury*

As shown in Figure 27, the three highest expenditure categories were Personnel Emoluments, Development, and Domestic Travel, which contributed 79, 18, and 2 per cent of the total expenditure for the reporting period.

3.5.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.17.49 million. This amount was entirely from the County Executive, as the County Assembly reported no trade payables. The trade payables from the County Executive consisted of Kshs.8.42 million for recurrent expenditures and Kshs.9.07 million for development expenditures.

During the reporting period, the County Executive did not settle any trade payables. The outstanding trade payables as of 30th September 2025 were Kshs.17.49 million for the County Executive. Table 3.51 provides additional details of trade payables.

Table 3.51: Elgeyo Marakwet County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	9,074,260	8,418,682	17,492,942
		County Assembly		-	-
		Total	9,074,260	8,418,682	17,492,942
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	**9,074,260**	**8,418,682**	**17,492,942**
		County Assembly			-
		Total	**9,074,260**	**8,418,682**	**17,492,942**

Source: *Elgeyo Marakwet County Treasury*

The County Executive submitted a trade payables payment plan, committing to pay Kshs.17.49 million in the first quarter of FY 2025/26. The County adhered to this payment plan, as it had indicated its commencement date of payment as the second quarter of FY 2025/26

Table 3.52 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive, which were Kshs.17.49 million

Table 3.52: Elgeyo Marakwet County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**6,874,262**	**2,299,999**	**0**	**0**	**9,074,260**
Recurrent Trade Payables (Goods & Services)	8,418,682				8,418,682
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)					**0**
Recurrent Trade Payables (Staff Claims)					**0**
Total Recurrent Trade Payables	8,418,682	0	0	0	**8,418,682**
Total Trade Payables	**15,292,943**	**2,199,999**	**0**	**0**	**17,492,942**
% of Total	**87.4**	**12.6**	**%**	**%**	**100%**

Source: *Elgeyo-Marakwet County Treasury*

As shown in Table 3.52, all Executives' payables are less than 2 years old. The Executive should continue to adhere to their payables payment plan to settle the remaining payables.

3.5.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.629.08 million for compensation of employees, Kshs.12.74 million for operations and maintenance, and Kshs.161.04 million for development activities. Similarly, the County Assembly spent Kshs.76.75 million on employee compensation and Kshs.24.93 million on operations and maintenance, as shown in Table 3.53.

Table 3.53: Elgeyo Marakwet County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**4,198,322,379**	**682,127,598**	**642,180,955**	**101,675,829**	**15**	**15**
Compensation of Employees	2,922,246,310	367,644,374	629,435,173	76,748,788	22	21
Operations and Maintenance	1,276,076,069	314,483,224	12,745,782	24,927,041	1	8

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Development Expenditure	**3,942,145,373**	**26,872,402**	**161,042,949**	**0**	**4**	**0**
Total	**8,140,467,752**	**709,000,000**	**803,223,904**	**101,675,829**	**10**	**14**

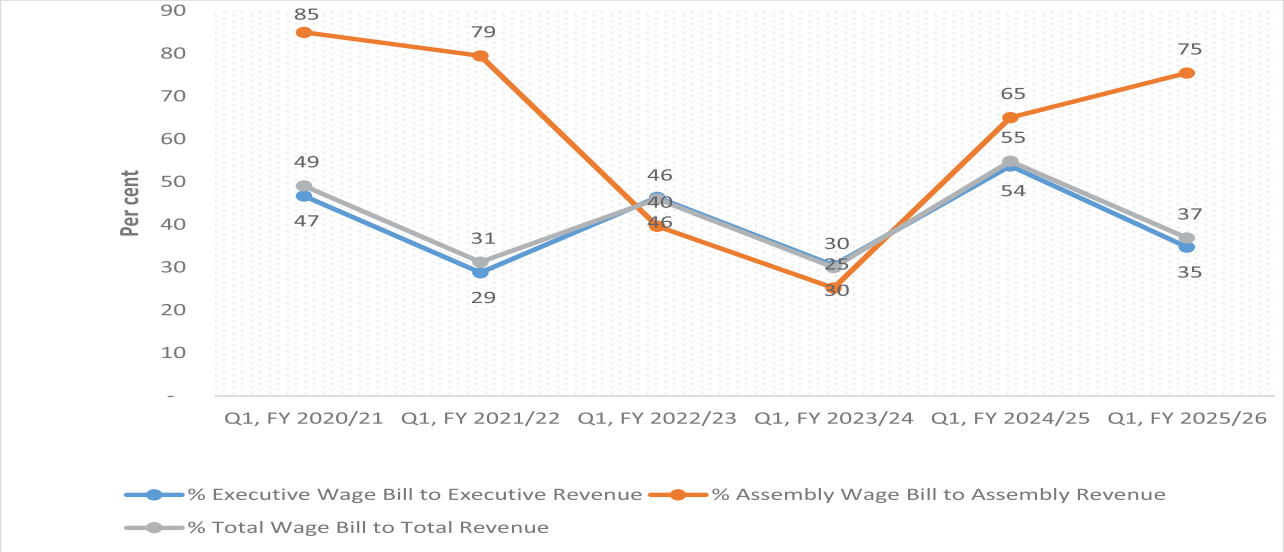
***Source**: Elgeyo Marakwet County Treasury*

3.5.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.706.18 million. The percentage of compensation of employees to revenue was 25 per cent. This expenditure on employee compensation shows an increase compared to the Kshs.694.24 million reported in a similar period in FY 2024/25. Of this total, Kshs.310.85 million related to the Health Sector employees, which accounted for 44 per cent of the overall employees' compensation.

Figure 28 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 28: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Elgeyo Marakwe County Treasury

Figure 28 illustrates that the County Executive allocated 49 per cent to 35 per cent of revenue for employee emoluments, indicating funds for other activities. In contrast, the County Assembly dedicated 75 per cent of its revenue to employee compensation in the first quarter of FY 2025/26, reflecting a focus on recurrent services over development.

Further analysis indicated that PE costs amounting to Kshs.613.08 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.92.75 million was processed through manual payroll, which accounted for 13 per cent of the total PE cost.

The manual payroll comprised salaries for 917 staff not onboarded into the Human Resource Information System (HRIS) and gratuity remittances to pension schemes for staff on contract, as shown in Table 3.54.

Table 3.54: Breakdown of Elgeyo Marakwet County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for staff yet to be onboarded into HRIS	89,235,508
	Gratuity for contract staff	3,514,342
	Total	**92,749,850**

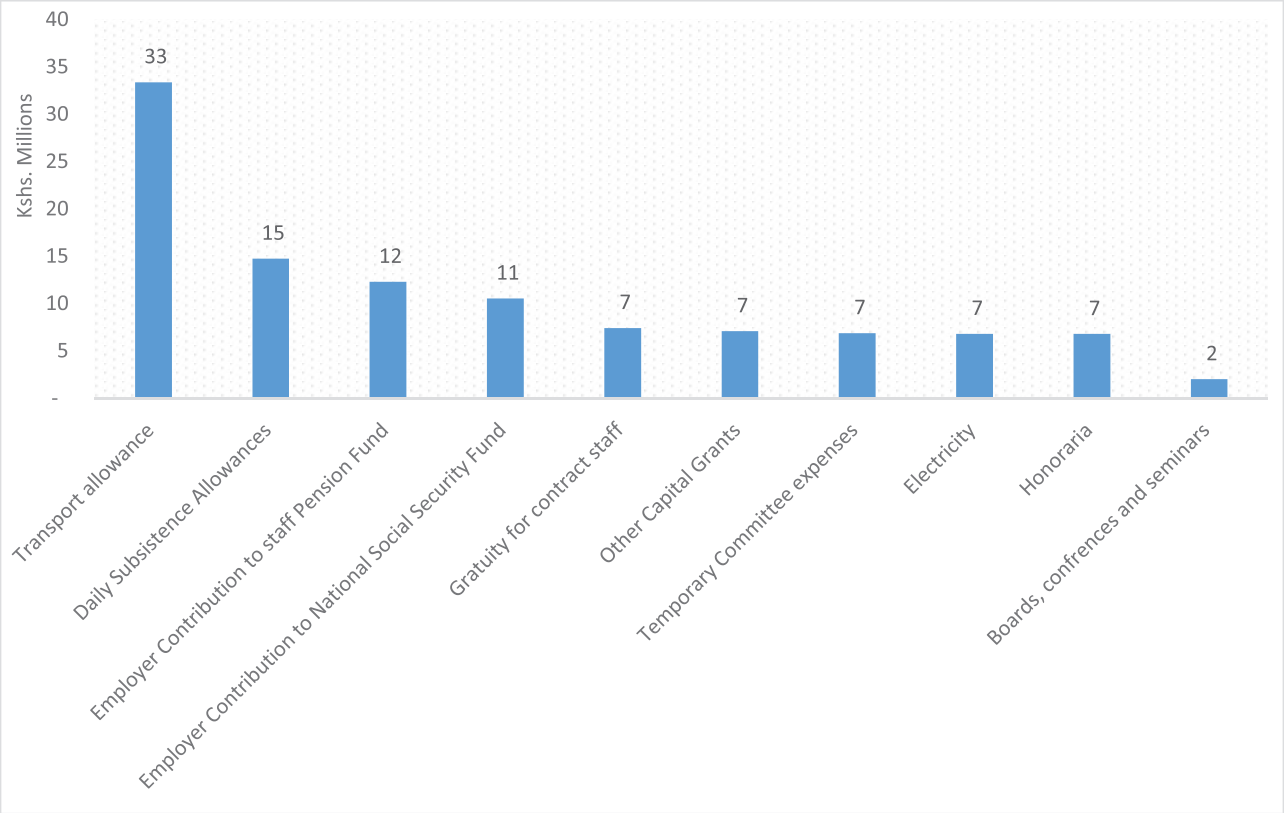
Source: Elgeyo Marakwet County Treasury

The County Assembly spent Kshs.6.79 million on committee sitting allowances for the 34 MCAs, against the annual budget allocation of Kshs.30.31 million. The average monthly sitting allowance was Kshs.66,554 per MCA. The County Assembly has 18 House Committees.

3.5.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.37.67 million on operations and maintenance, representing a decrease of 33 per cent compared to FY 2024/25, when the County spent Kshs.49.97 million. Figure 29 summarises the Operations and Maintenance expenditure by major categories.

Figure 29: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories



Source: *Elgeyo Marakwet County Treasury*

3.5.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.117.92 million to County-established funds in FY 2025/26, or 1 per cent of the County's overall budget. Furthermore, the County allocated Kshs.2.7 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.55 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.55: Performance of Elgeyo Marakwet County Established Funds in FY 2024/25

S/No.	Name of the Fund	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in First Half of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Annual Financial Statements (Yes/No.)
	County Executive Established Funds					
1	Elgeyo Marakwet County Education Fund	115,223,109	-	104,099,874	643,706,836	No

S/No.	Name of the Fund	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in First Half of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Annual Financial Statements (Yes/No.)
2	County Executive Car and Mortgage Loan Revolving Fund	-	-	-	120,000,000	Yes
3	Elgeyo Marakwet County Alcoholic Drinks and Control Fund	-	-	-	4,000,000	No
4	Emergency Fund	2,700,000	-	-	-	-
	County Assembly Established Funds					
1	Elgeyo Marakwet County Assembly MCA's and staff Car Loan and Mortgage Fund		-		139,000,000	Yes
2	Elgeyo Marakwet (County Assembly) Catering Services Revolving Fund	-	-		11,000,000	Yes
	Total	**117,923,109**	**-**	**-**	**816,606,962**	

Source: *Elgeyo Marakwet County*

During the reporting period, the CoB did not receive quarterly financial reports from The Elgeyo Marakwet Alcoholic Drinks Control Fund and Elgeyo Marakwet Education Bursary Funds, as indicated in Table 3.55, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. During the reporting period, the CoB established that the lifespan of the Elgeyo Marakwet County Education Fund, the County Executive Car and Mortgage Loan Fund and the Elgeyo Marakwet County MCA's and Staff Car Loan and Mortgage Fund had lapsed. The Elgeyo Marakwet(County Assembly) Catering Services Revolving Fund had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.5.12 County Corporations

The County did not have any corporations for the period under review. Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.14.74 million and comprised Kshs.14.65 million spent by the County Assembly and Kshs.0.09 million by the County Executive. There was no foreign travel for either the County Executive or the County Assembly during the period under review.

3.5.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.68.81 million as FIF, which was 20 per cent of the annual target of Kshs.350.0 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County, however, has not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.54.96 million, as shown in Table 3.56.

Table 3.56: Elgeyo Marakwet County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	254,598,165	38,803,517	15
2.	Level 4 Hospital	9	95,401,835	16,160,730	17
	Total	**10**	**350,000,000**	**54,964,247**	**16**

Source: *Elgeyo Marakwet County Treasury*

1.1.2 Development Expenditure

During the review period, the County reported spending Kshs.161.04 million on development programmes, an increase compared to FY 2024/25, when the County did not report development expenditure. Table 3.57 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to budgeting for roll-overs, which enabled the County to spend funds from Special Purpose Accounts.

Table 3.57: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	Donor Funded Projects							
1	KISPII	Vending platforms and High Mast Flood lights	Chebiemit		30,000,000	3,508,393		On going
2		Roads and Drainage System	Cheptonei and Kabiemit		350,000,000	157,534,556		On going

Source: *Elgeyo Marakwet County Treasury*

The County reported two stalled development projects as of 30 September 2025, with an estimated value of Kshs.98.74 million, of which Kshs.60.79 has already been paid. However, the National Government has taken over Kamariny Stadium and a contractor is on site. The stalled projects are shown in Table 3.58.

Table 3.58: Elgeyo County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Kamariny Stadium	Kamariny Ward	46,000,000	46,000,000	-	5	Lack of Adequate Funding – Taken over by the National Government
Governor's Official Residence	Kamariny Ward	52,739,516	14,787,937	37,951,581	5	Court Order

Source: Elgeyo Marakwet County Treasury

3.5.14 Budget Performance by Department

Table 3.59 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.59: Elgeyo Marakwet County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	682.13	24.87	101.67	-	101.67	-	100	-	14.9	-
Office of the Governor	154.97	0.87	26.17	-	26.17	-	100	-	16.9	-
Finance and Economic Planning	233.22	2.70	41.84	-	41.84	-	100	-	17.9	-
Agriculture, Livestock, Fisheries and Irrigation	266.75	698.92	27.09	-	27.09	-	100	-	10.2	-
Water, Environment, Natural Resources and climate Change management	63.79	667.01	9.89	-	9.89	-	100	-	15.5	-
Education and Technical Training	452.10	281.73	88.13	-	88.13	-	100	-	19.5	-
Health Service	2.115.55	604.30	316.52	-	316.52	-	100	-	15.0	-
Land, Housing, Physical Planning and Urban Development	104.63	881.31	20.75	-	20.75	161.04	100	-	19.8	18.3
Road, Public Works and Transport	191.45	222.84	21.60	-	21.60	-	100	-	11.3	-
Co-operatives, Trade, Industrialisation, Tourism and Wildlife	81.15	518.35	10.96	-	10.96	-	100	-	13.5	-
Sports, Youth Affairs, Culture, Children and Social Services	98.05	30.61	8.96	-	8.96	-	100	-	9.1	-
Public Service, Devolution, Administration, Communications, ICT and E-Government	373.96	13.50	60.73	-	60.73	-	100	-	16.2	-
County Public Service Board	62.81	-	9.53	-	9.53	-	100	-	15.2	-
TOTAL	**4,880.59**	**3,967.01**	**743.86**	**-**	**743.86**	**161.04**	**100**	**-**	**15.2**	**4.0**

***Source**: Elgeyo Marakwet County Treasury*

Analysis of expenditure by departments shows that only the Department of Lands, Housing, Physical Planning, and Urban Development recorded an absorption rate of the development budget at 18.3 per cent. The Department of Lands, Housing, Physical Planning and Urban Development had the highest percentage of recurrent expenditure to budget at 19.8 per cent, while the Department of Sports, Youth Affairs, Culture, Children and Social Services had the lowest at 9.1per cent.

3.5.15 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were Urban Infrastructure in the Department of Lands, Housing, Physical Planning and Urban Development at 20 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General administration and support services in the Department of Education and Technical Training at 22 per cent, General Administration and support services in the Department of Health services at 21 per cent, General Administration and Support services in the Department of Lands, Housing, Physical planning and Urban Development at 20 per cent, and General Administration and support services in the department of Finance and Economic Planning at 20 per cent of the budget allocation.

3.5.16 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 162 accounts in commercial banks, including 113 accounts for Health Facilities, nine accounts for Established Funds, six revenue accounts, 30 special-purpose accounts (for additional allocations), two salary accounts, one County Treasury Imprest Account, and one County Assembly account.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 162 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.5.17 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 24th October,2025
ii. The underperformance of own-source revenue at Kshs.80.95 million against an annual target of Kshs.457.43 million, representing 18 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Kshs.161.04million on development activities, achieving a 4 per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Elgeyo Marakwet County Executive Car and Mortgage Revolving Fund, Elgeyo Marakwet County Education Fund, Elgeyo Marakwet County Alcoholic Drinks Control Fund, Elgeyo Marakwet County Assembly MCA's and Staff Car Loan and Mortgage Fund and the Elgeyo Marakwet (County Assembly)Catering Services Revolving Fund had lapsed, making them ineligible for further withdrawals.
v. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.6. County Government of Embu

3.6.1 Overview of FY 2025/26 Budget

The Embu County Approved Budget for FY 2025/26 is Kshs.8.99 billion. It comprises Kshs.3.32 billion (37 per cent) and Kshs.5.67 billion (63 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.456.70 million (5 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.82 billion and a recurrent budget of Kshs.5.71 billion. The increase in the budget was primarily attributed to the rise in the balances brought forward from FY 2024/2025.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.6.08 billion (68 per cent), additional allocations of Kshs.981.40 million (11 per cent), a cash balance of Kshs.566.92 million (6 per cent) brought forward from FY 2024/25, and Kshs.1.36 billion (15 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.60.

3.6.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.71 billion in revenue. This amount represented an increase of 197 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.578.97 million. The total revenue consisted of Kshs.942.64 million from the equitable share of revenue raised nationally, nil additional allocations from the national government and development partners, as well as own-source revenue (OSR) collection of Kshs.207.18 million. Additionally, the County had a cash balance of Kshs.566.92 million from FY 2024/25. The total OSR collection of Kshs.207.18 million included Facilities Improvement Financing (FIF) of Kshs.153.61 million, Appropriation in Aid (AiA) of Kshs.265.72 thousand and Kshs.53.57 million from other OSR sources. Table 3.60 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.60: Embu County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	6,077,441,672	942,636,594.00	16
Sub-Total	**6,077,441,672**	**942,636,594.00**	**16**
B. Additional Allocations			
Conditional Allocation for National Agricultural Value Chain Development Project (NAVCDP)	231,250,000.00	0	0
DANIDA Grant To Finance Primary Health Care in a Devolved Context	6,930,000.00	0	0
Conditional Additional Allocation for the Basic Salary Arrears for County Government Health Workers	32,801,231.00	0	0
Conditional Additional Allocation for Community Health Promoters	60,300,000.00	0	0
Financing Locally Led Climate Action (FLLoCA)- County Climate Resilience Investment (CCRI) Grant	137,500,000.00	0	0
Aquaculture Business Development Project (ABDP)	10,020,000.00	0	0
Second Kenya Devolution Support Programme (KDSP II)-Level 1 Grant	37,500,000.00	0	0
Second Kenya Devolution Support Programme(KDSP II) -Level 2 Grant	352,500,000.00	0	0
Kenya Urban Support Programme-Urban Institutional Grants	35,000,000.00	0	0
Kenya Urban Support Programme- Urban Development Grants	52,595,562.00	0	0
Unconditional Allocations to County Governments from Court Fines and Mineral Royalties	2,142.00	0	0
Kenya Commercial Bank Vocational Training Centre Scholarship Grant	20,000,000.00	0	0

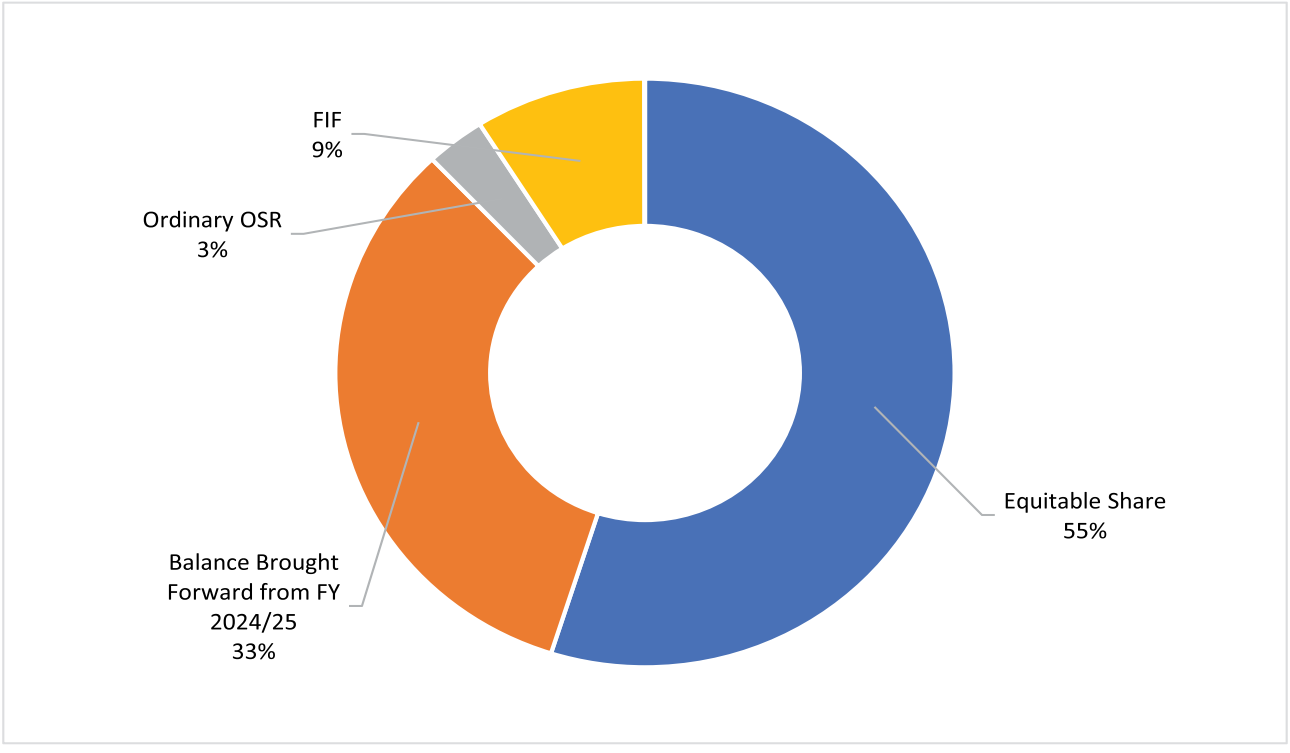
Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
Conditional Allocation for Kenya Nutrition Support Grant	5,000,000.00	0	0
Sub-Total	**981,398,935.00**	**0**	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	712,487,161.00	53,304,058.00	8
Balance at CRF	566,898,131.00	566,898,131.00	100
County Executive Refund to CRF	14,915.90	14,915.90	100
County Assembly Refund to CRF	4,479.10	4,479.10	100
Facility Improvement Fund (FIF)	600,000,000.00	153,607,886.00	26
SHIF	0	0	-
Defunct NHIF	0	0	-
Other FIF	0	0	-
Other Revenues	0		-
Appropriation in Aid (AIA)	52,000,000.00	265,719.00	0.5
Sub-Total Other Sources	**1,931,404,687.00**	**774,095,189.00**	**40**
Grand Total	**8,990,245,294.00**	**1,716,731,783.00**	**19**

Source: *Embu County Treasury*

The performance of Ordinary Own Source Revenue (OSR) and Appropriations in Aid (AIA) registered low outturns of 8 per cent and 0.5 per cent, respectively, representing less than 10 per cent performance against the annual targets. This subdued performance is primarily attributed to the fact that the first quarter of the financial year traditionally marks a low season for revenue collection due to limited economic activity and delayed implementation of key revenue-generating initiatives. Nonetheless, performance is projected to improve significantly in the subsequent quarters as economic activities pick up and revenue mobilisation strategies are fully rolled out.

The County has the Embu County Health Facilities Improvement Fund legislation on the operation of ordinary A-I-A and FIF. Figure 30 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

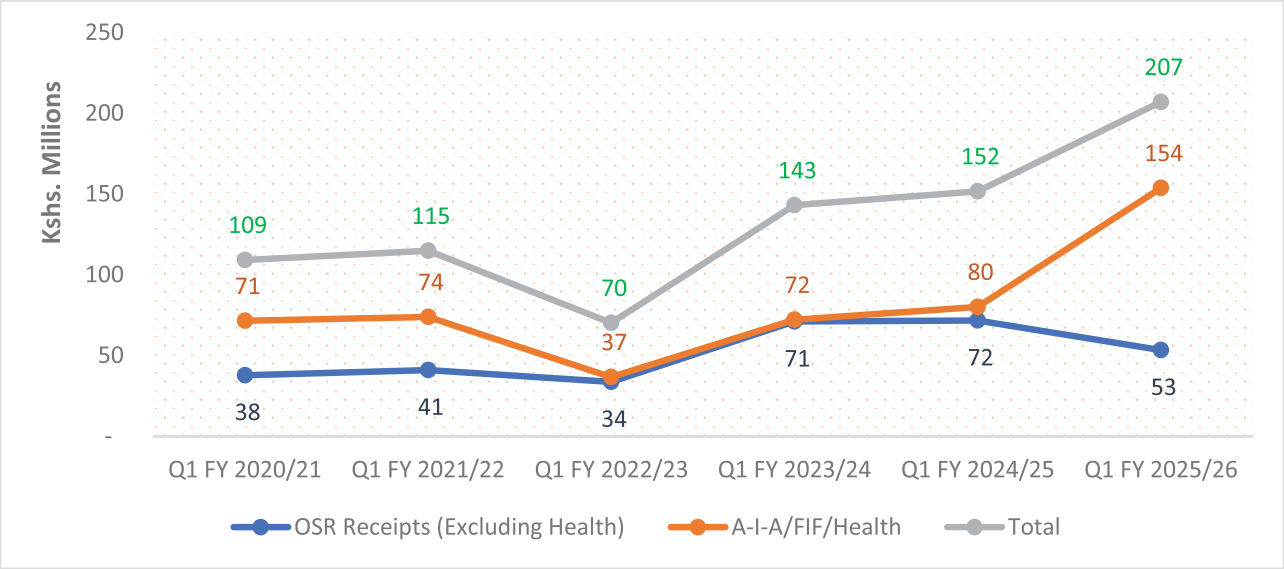
Figure 30: Embu County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Embu County Treasury*

The equitable share of revenue raised nationally, the balance brought forward, and OSR contributed 55, 33, and 3 per cent, respectively, of the total receipts for the reporting period. Figure 31 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 31: Embu County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



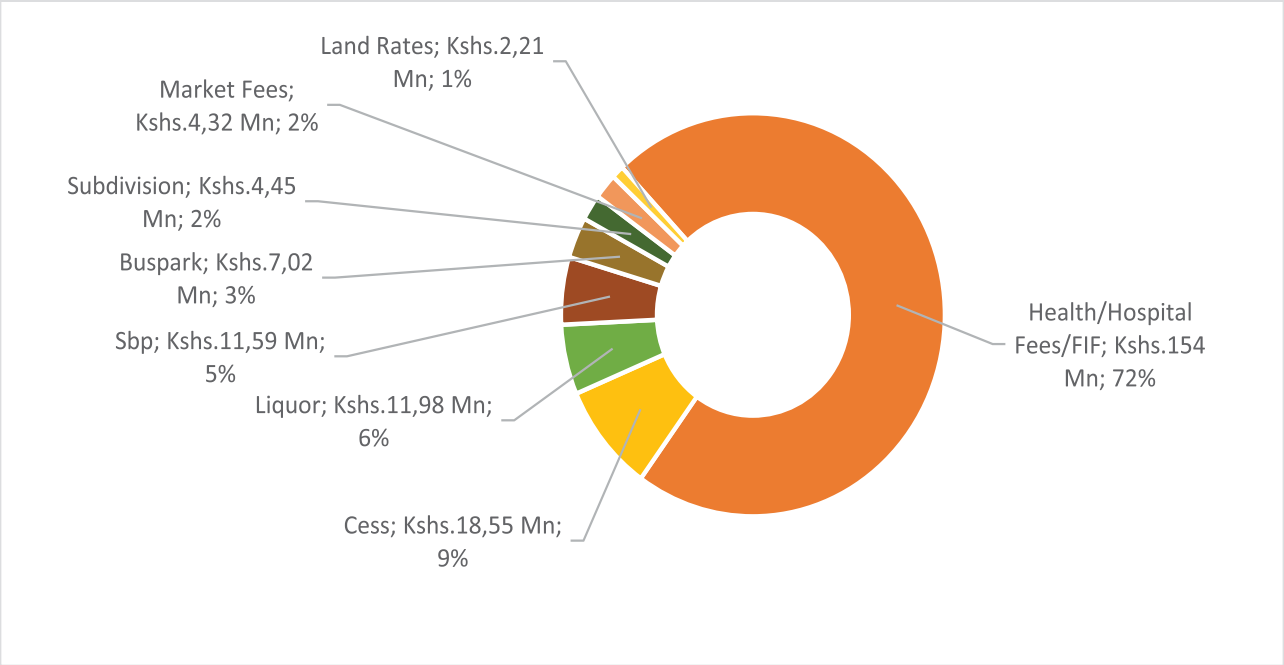
Source: *Embu County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.206.91 million from its revenue sources, including FIF. This amount was an increase of 36 per cent compared to Kshs.151.63 million realised in a similar period in FY 2024/25, and was 15 per cent of the annual target and 22 per cent of the equitable revenue share disbursed.

The increase in FIF can be attributed to various strategies put in place by the County that include the Establishment and Operationalisation of the Facility Improvement Fund (FIF), regular procurement and distribution of drugs and non-pharmaceutical commodities to ensure uninterrupted service delivery, and strengthening of internal controls that include enhancing financial and administrative controls to improve accountability, transparency, and efficiency. Further Staff motivation, mindset Transformation, and Teamwork by promoting positive behavioural change, improving staff morale, and fostering a culture of collaboration and collective responsibility.

The revenue streams that contributed the most to OSR receipts are shown in Figure 32.

Figure 32: Embu County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: *Embu County Treasury*

As shown in Figure 32, the highest revenue stream, at Kshs.154.00 million, was from Health/Hospital Fees/FIF, accounting for 74 per cent of the total OSR receipts. The County Government indicated that it has automated 20 out of 22 revenue streams.

3.6.3 Revenue Arrears

As of 30 September 2025, the County had no revenue arrears.

3.6.4 Borrowing by the County

The County Government did not borrow any funds during the reporting period.

3.6.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.541.47 million from the CRF account during the reporting period, which comprised Kshs.50.40 million (9 per cent) for development programmes and Kshs.491.07 million (91 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.402.09 million was towards employee compensation and Kshs.88.98 million for operations and maintenance expenditure.

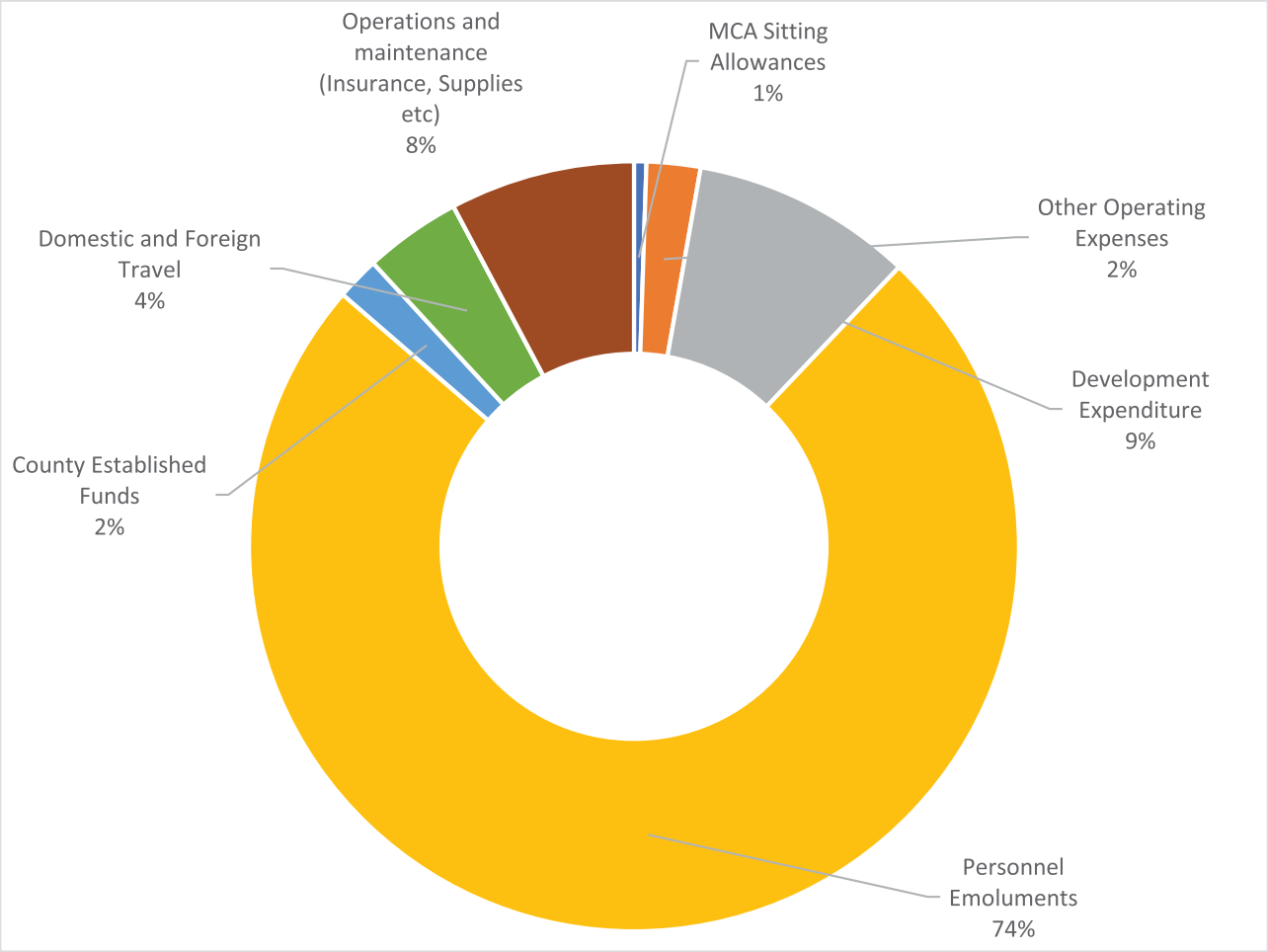
The operations and maintenance exchequer analysis indicates that 25 per cent was for domestic travel. There was no foreign travel expenditure in the review period. The domestic travel exchequer amounted to Kshs.22.07 million and included Kshs.6.22 million for the County Executive and Kshs.15.85 million for the County Assembly. As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.555.83 million.

3.6.6 Expenditure Review

The County spent Kshs.541.47 million on development and recurrent programmes during the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.50.40 million for development programmes and Kshs.491.07 million for recurrent programmes. Expenditure on development programmes accounted for 2 per cent, while recurrent expenditure accounted for 10 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 33: Embu County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Embu *County Treasury*

As shown in Figure 33, the three highest expenditure categories were Personnel Emoluments, Development Expenditure, and Domestic Travel, which contributed 74 per cent, 9 per cent, and 4 per cent of total expenditure for the reporting period.

3.6.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.25 billion. This amount included Kshs.1.21 billion from the County Executive and Kshs.35.21 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.561.84 million for recurrent expenditures and Kshs.648.51 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.119.64 million for recurrent programmes. On the other hand, the County Assembly settled trade payables worth Kshs.14.92 million for recurrent activities. The outstanding trade payables as of 30th September 2025 was Kshs.1.48 billion for County Executive and Kshs.20.29 million for County Assembly. Table 3.61 provides additional details of trade payables.

Table 3.61: Embu County Trade Payables as of 30th September 2025

Period	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	County Executive	648,508,025	561,836,303	1,210,344,328
	County Assembly	-	35,211,635	35,211,635
	Total	**648,508,025**	**597,047,938**	**1,245,555,964**

Period	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Amount paid in FY 2025/26	County Executive	-	119,644,457	119,644,457
	County Assembly	-	14,922,697	14,922,697
	Total	**-**	**134,567,154**	**134,567,154**
Trade Payables Incurred in FY 2025/26	County Executive	199,968,701	192,893,502	392,862,203
	County Assembly	-	35,211,635	35,211,635
	Total	**199,968,701**	**228,105,137**	**428,073,839**
Outstanding trade payables as of 30 September 2025 (Kshs.)	County Executive	848,476,727	635,085,348	1,483,562,075
	County Assembly	-	20,288,939	20,288,939
	Total	**848,476,727**	**655,374,287**	**1,503,851,013**

Source: *Embu County Treasury*

The County Executive and the Assembly submitted trade payables payment plans, committing to pay Kshs.382.61 million and Kshs.10.48 million, respectively, in FY 2025/26. The County adhered to this payment plan, as it cleared Kshs.119.64 million for the Executive and Kshs.14.92 million for the Assembly.

Table 3.62 and Table 3.63 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.50 billion.

Table 3.62: Embu County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills	199,968,701	214,508,551	2,990,011	431,009,463	**848,476,727**
Recurrent Pending Bills (Goods & Services)	73,249,045	152,237,183	-	409,599,121	**635,085,348**
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Pending Bills (Staff Claims)	-	-	-	-	-
Total Recurrent Pending Bills	**73,249,045**	**152,237,183**	**-**	**409,599,121**	**635,085,348**
Total Pending Bills	**273,217,746**	**366,745,733**	**2,990,011**	**840,608,584**	**1,483,562,075**

Source: *Embu County Treasury*

The Ageing Analysis of Trade Payables for the County Executive indicates that the majority of the outstanding bills, amounting to Kshs.840.61 million, fall within the category of over three years old. This is followed by trade payables totalling Kshs.366.75 million incurred during the FY 2024/2025. The final category comprises bills aged between one and two years, with an outstanding amount of Kshs.273.22 million.

Table 3.63: Embu County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total (Kshs.)
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables		-	-	-	-
Recurrent Trade Payables (Goods & Services)	4,825,807	-	-	-	**4,825,807**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Trade Payables (Staff Claims)	15,463,132	-	-	-	**15,463,132**
Total Recurrent Trade Payables	**20,288,939**	**-**	**-**	**-**	**20,288,939**
Total Trade Payables	**20,288,939**	**-**	**-**	**-**	**20,288,939**

Source: *Embu County Assembly*

The outstanding trade payables for the County Assembly of Embu amount to Kshs.20.29 million, all of which were incurred during the FY 2024/2025 and therefore fall within the one-year category. According to the Trade

Payables Action Plan submitted by the County Assembly, a total of Kshs.10.48 million is earmarked for settlement within the current financial year.

3.6.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.375.26 million for employee compensation, Kshs.60.81 million for operations and maintenance, and Kshs.50.40 million for development activities. Similarly, the County Assembly spent Kshs.26.82 million on employee compensation and Kshs.28.18 million on operations and maintenance. The County Assembly had no expenditure on development activities. The expenditure is categorised by economic classification in Table 3.64

Table 3.64: Embu County Summary of Budget and Expenditure by Economic Classification

Sector / Category	Budget (Kshs)	Exchequer Issues (Kshs)	Expenditure (Kshs)	Expenditure % of Exchequer Issues	Absorption Rate
County Executive					
Recurrent	**4,419,122,334**	**436,070,081**	**436,070,081**	**100**	**10**
Compensation to Employees	3,308,569,429	375,261,541	375,261,541	100	11
Operations & Maintenance	1,110,552,905	60,808,540	60,808,540	100	5
Development	**3,277,125,051**	**50,399,510**	**50,399,510**	**100**	**2**
Executive Sub-total	**7,696,247,385**	**486,469,591**	**486,469,591**	**100**	**6**
County Assembly					
Recurrent	**653,997,909**	**55,000,000**	**55,000,000**	**100**	**8**
Compensation to Employees	358,437,162	26,823,685	26,823,685	100	7
Operations & Maintenance	295,560,747	28,176,315	28,176,315	100	10
Development	**40,000,000**	**0**	**0**	-	-
Assembly Sub-total	**693,997,909**	**55,000,000**	**55,000,000**	**100**	**8**
Combined County Totals					
Total Recurrent	**5,073,120,243**	**491,070,081**	**491,070,081**	**100**	**10**
Compensation to Employees	3,667,006,591	402,085,226	402,085,226	100	11
Operations & Maintenance	1,406,113,652	88,984,855	88,984,855	100	6
Total Development	**3,317,125,051**	**50,399,510**	**50,399,510**	**100**	**2**
Grand Total	**8,390,245,294**	**541,469,591**	**541,469,591**	**100**	**6**

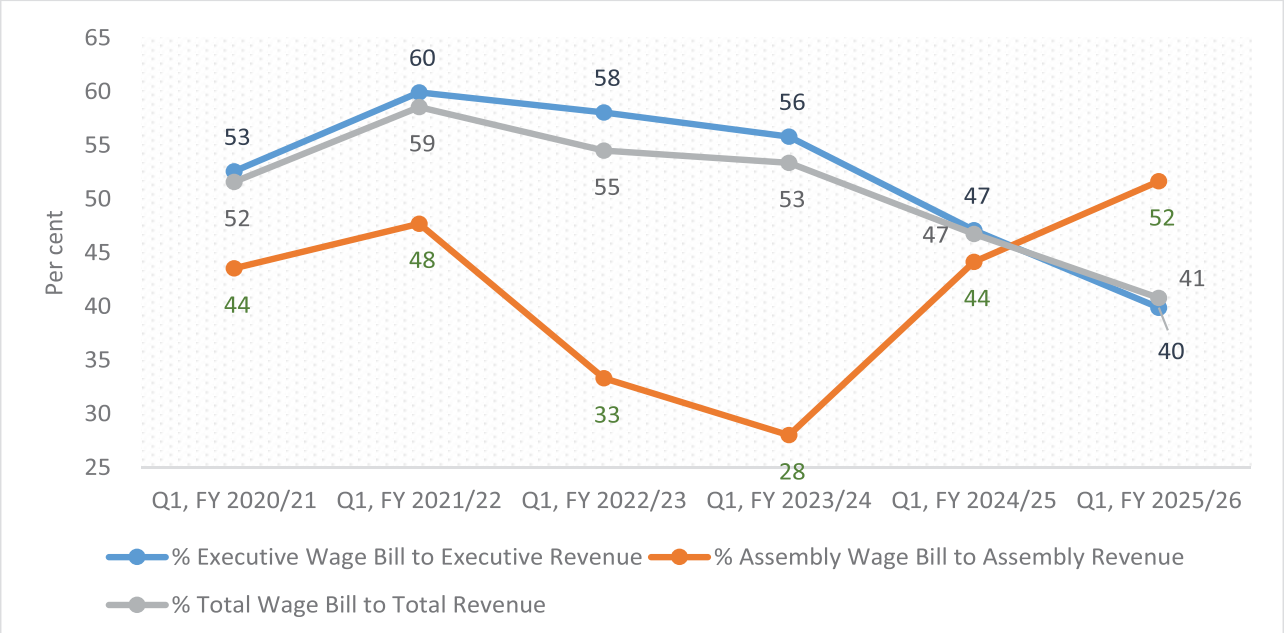
***Source**: Embu County Treasury*

3.6.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.402.09 million. The compensation-to-revenue ratio was 43 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.327.63 million reported in a similar period in FY 2024/25. Of this total, Kshs.105.57 million was related to Health Sector employees, which accounted for 26 per cent of the overall employees' compensation.

Figure 34 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 34: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Embu County Treasury*

As shown in Figure 34, the County Assembly apportioned 52 per cent of its first quarter of FY 2025/26 inflows towards compensation of employees, while the Executive apportioned 40 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis revealed that PE costs totalling Kshs.416.48 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.12.38 million was processed through manual payroll, accounting for 3 per cent of the total PE cost.

The manual payroll comprised top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.65.

Table 3.65: Breakdown of Embu County Manual Payroll

Category	County Executive (Kshs.)	County Assembly (Kshs.)	Total (Kshs.)
Salaries for casual staff	271,200		**271,200**
Top-up Allowances for security officers	1,309,378	2,158,000	**3,467,378**
LAPTRUST/LAPFUND Pension Contributions	-	1,136,165	**1,136,165**
Gratuity for contract staff	7,492,287		**7,492,287**
Total	**9,072,865**	**3,294,165**	**12,367,030**

Source*: Embu County Treasury*

The County Assembly spent Kshs.2.80 million on committee sitting allowances for the 31 MCAs, against the annual budget allocation of Kshs.27.92 million. The average monthly sitting allowance was Kshs.30,136 per MCA. The County Assembly has 27 House Committees.

3.6.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.88.98 million on operations and maintenance, representing an increase of 170 per cent compared to FY 2024/25, when the County spent Kshs.32.97 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.66.

Table 3.66: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211399-00001001-0701013660-36600001	Public Participation	17,800,000	615,000
2211399-00001001-0701013660-36600001	General Office Operations	24,000,000	3,831,356
2211399-00001001-0701013660-36600001	Community Health Promoters (1563) Stipend	107,190,000	7,792,500
Total		**292,408,600**	**12,238,856**

Source: *Embu County Treasury*

A review of the other expense items listed in the table did not reveal any inconsistencies:

3.6.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.310.54 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Furthermore, the County allocated Kshs.20.00 million to the Emergency Fund (0.22 per cent of the total budget), which is not in line with Section 110 of the PFM Act, 2012. Table 3.67 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.67: Performance of Embu County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
County Executive Established Funds							
1	Embu County Education Support Fund	1-January-2015	0	0	0	164,225,0000	Yes
2	Embu County Youth Trust Fund	24-April-2015	0	0	0	20,000,0000	Yes
3	Embu County Climate Change Fund	1-January-2020	290,541,470	9,804,145	9,804,145	206,956,4300	Yes
4	Embu County Emergency Fund	25-March-2020	20,000,000	0	0	23,000,0000	Yes
	Sub-Total		**310,541,470**	**9,804,145**	**9,804,145**	414,181,4**300**	
County Assembly Established Funds							
1	County Assembly of Embu Car Loan and Mortgage (MCAs)	March 2014 (Revised in 2022)	0	0	0	165,000,010 0	Yes
2	County Assembly of Embu Car Loan and Mortgage (Staff)	11th February 2019 (Revised in 2022)	0	0	0	0 8,000,000	Yes
	Sub-Total		0	0	0	**0 173,000,010**	
	Total		**310,541,470**	**9,804,145**	**9,804,145**	**587,181,4400**	

Source: *Embu County Treasury*

During the reporting period, the CoB received all the quarterly financial reports from all the Fund Administrators, as indicated in Table 3.67. This is in line with the requirement of Section 168 of the PFM Act, 2012. All the administration costs of all the Funds were within the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Embu County Youth Trust Fund, the Embu County Bursary Fund and the County Assembly of Embu Car Loan and Mortgage (MCAs) had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.6.12 County Corporations

The County has no corporations; hence, no budgetary allocation was made.

3.6.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.22.07 million and comprised Kshs.15.85 million spent by the County Assembly and Kshs.6.22 million by the County Executive. There was no expenditure on foreign travel in the reporting period.

Under the operations and maintenance costs, "other expenses" include Kshs.6.17 million on garbage collection (Facility Improvement Fund-FIF) and Kshs.19.46 million related to legal fees, dues, arbitration, and compensation payments.

3.6.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.153.61 million as FIF, which was 26 per cent of the annual target of Kshs.600.00 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by health facilities amounted to Kshs.153.61 million, as shown in Table 3.68.

Table 3.68: Embu County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1	Level Five Hospital	1	426,800,000	109,709,719	26
2	Level Four Health Facilities	3	61,110,000	9,876,315	16
3	Level Three Facilities	3	20,370,000	5,813,176	29
4	Level Three Facilities	10	33,465,000	12,710,681	38
5	Eighty-seven Level Two Facilities	71	19,497,000	12,011,344	62
6	Sub-County Public Health Offices	6	20,758,000	3,486,651	17
7	Medical Services-Headquarters	1	18,000,000	0	0
	Total	**95**	**600,000,000**	**153,607,886**	**26**

Source: *Embu County Treasury*

3.6.15 Development Expenditure

In the review period, the County reported spending Kshs.50.40 million on development programmes, representing a decrease of 32 per cent compared to FY 2024/25, when the County spent Kshs.73.63 million. Table 3.69 summarises the development projects with the highest expenditure in the reporting period.

The decline in development expenditure was attributed to challenges associated with the transition and adaptation to the newly introduced e-GP system at the onset of the financial year.

Table 3.69: Embu County, List of Development Projects with the Highest Expenditure

S/No.	Project Name	Project Location		Project Commencement Date	Expected Date of Completion of the Project	Contract Sum (Kshs.)	Total Funding in the FY 2025/26 (Kshs.)	Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative Project Expenditure as of 30th September 2025 (Kshs.)	Implementation status (%) C=B/A
		Ward	Sub-County							
i) COUNTY FUNDED PROJECTS										
1	Refurbishment of the County Headquarters Offices	Kirimari	Manyatta	25-Jul-25	30-Jun-26	35,000,000	35,000,000	25,595,365	25,595,365	73
2	Construction of the Wholesale Market in Embu Town	Kirimari	Manyatta	25-Jul-25	30-Jun-26	15,000,000	15,000,000	15,000,000	15,000,000	100
3	Climate Change Unit Operations	County-wide	County Wide	25-Jul-25	30-Jun-26	10,000,000	10,000,000	9,804,145	9,804,145	98
Sub-Total						**60,000,000**	**10,000,000**	**9,804,145**	**9,804,145**	**98**
TOTAL						60,000,000	60,000,000	50,399,510	50,399,510	84

Source: *Embu County*

The County did not report any stalled development projects during the reporting period.

3.6.16 Budget Performance by Department

Table 3.70 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.70: Embu County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	302.48	-	4.44	-	100.31	-	2,257.88	-	33.2	-
County Public Service Board	38.56	-	-	-	9.52	-	-	-	24.7	-
Public Service and Administration	932.42	354.15	306.75	-	201.46	-	65.67	-	21.6	-
County Assembly	654.00	40.00	55.00	-	55.00	-	100.00	-	8.4	-
Finance and Economic Planning.	214.19	75.00	11.52	25.60	11.42	25.60	99.18	100.0	5.3	34.1
Trade Tourism Investment and Industrialisation	39.48	167.50	-	15.00	-	15.00	-	100.0	-	9.0
Agriculture, Livestock, Fisheries and Co-Operative Development	228.73	255.91	-	-	-	-	-	-	-	-
Water Environment and Natural Resources	40.36	102.00	-	-	-	-	-	-	-	-
Health	1,767.00	430.31	113.36	-	113.36	-	100.00	-	6.4	-
Embu Level 5 Hospital	0.44	78.05	-	-	-	-	-	-	-	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Infrastructure, Public Works and Housing.	94.78	869.47	-	-	-	-	-	-	-	-
Education, Science and Technology	450.75	189.08	-	-	-	-	-	-	-	-
Youth Empowerment and Sports and Gender Empowerment	120.91	211.22	-	-	-	-	-	-	-	-
Lands, Physical Planning and Urban Development & Water	51.09	106.70	-	-	-	-	-	-	-	-
Embu County Revenue Authority (ECRA)	23.92	42.00	-	-	-	-	-	-	-	-
Embu Municipal Board	90.09	105.19	-	-	-	-	-	-	-	-
Climate Change Unit	-	290.54	-	9.80	-	9.80	-	100.0	-	3.4
County Attorney	19.95	-	-	-	-	-	-	-	-	-
Total	**5,073.12**	**3,317.13**	**491.07**	**50.40**	**491.07**	**50.40**	**100.00**	**100.0**	**9.7**	**1.5**

***Source**: Embu County Treasury*

Analysis of expenditure by departments shows that the Department of Finance and Economic Planning recorded the highest absorption rate of development budget at 34 per cent, followed by the Department of Trade, Tourism, Investment & Industrialisation at 9 per cent. The Department of Office of Governor had the highest percentage of recurrent expenditure to budget at 33 per cent, while several Departments (Trade and Tourism, Agriculture, Water, Embu Level 5, Infrastructure, Public Works and Housing, Education, Science and Technology, Youth Empowerment and Sports and Gender Empowerment, Lands, Physical Planning and Urban Development & Water, Embu County Revenue Authority (ECRA), Embu Municipal Board and County Attorney) had no expenditure incurred at 0 per cent.

3.6.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General Administration Planning and Support Services, Economic Policy and County Planning, Revenue Management, Financial Management, Monitoring and Evaluation and Research and Statistics in the Department of Finance and Economic Planning at 34 per cent, Administrative Support Services, Trade development and Promotion, Industrial Development and Investment and Tourism Development in the Department of Trade, Tourism, Investment and Industrialization at 9 per cent, General Administration, Planning and Support Services, Locally Led Climate Action Program, Locally Led Climate Action Program and Locally Led Climate Action Program at 3 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General Administration Planning and Support Services and County Leadership and Coordination in the Department of Office of Governor at 33 per cent, General Administration Planning and Support Services in the Department of County Public Service Board at 25 per cent, General Administration Planning and Support Services, Public Service, ICT Infrastructure, Disaster Risk Reduction Management and Kenya Devolution Support Programme in the Department of Public Service Devolution and ICT at 22 per cent, and General Administration, Planning and Support Services and Legislation, Representation and Legislative Oversight at 8 per cent of the budget allocation.

3.6.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government

bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprests bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 46 various valid accounts in commercial banks, including accounts for Health Facilities, vocational training centres, established funds, revenue accounts, special-purpose accounts (for additional allocations), and others.

The County Treasury submitted copies of the authorisation letters to the Controller of Budget for the opening of all commercial bank accounts, as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.6.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.53.30 million against an annual target of Kshs.712.49 million, representing 7 per cent of the financial year target.
ii. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 27th October 2025.
iii. Low development performance in the review period as the County incurred Kshs.50.40 million on development activities, achieving a 2 per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Embu County Youth Trust Fund, the Embu County Bursary Fund, and the County Assembly of Embu Car Loan and Mortgage (MCAs) had lapsed, making them ineligible for further withdrawals.
v. High level of trade payables, which amounted to Kshs.1.50 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

3.7. County Government of Garissa

3.7.1 Overview of FY 2025/26 Budget

The Garissa County Approved Budget for FY 2025/26 is Kshs.12.91 billion. It comprises Kshs.5.18 billion (40 per cent) and Kshs.7.72 billion (60 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.907.36 million (8 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.66 billion and a recurrent budget of Kshs.7.34 billion. The increase in the budget was primarily attributed to the rise in big balance brought forward and increase in FIF collections.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.8.88 billion (69 per cent), additional allocations of Kshs.1.59 billion (12 per cent), a cash balance of Kshs.2 billion (15per cent) brought forward from FY 2024/25, and Kshs.450 million (4 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.71.

3.7.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.39 billion in revenue. This amount represented an increase of 2 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.35 billion. The total revenue consisted of Kshs.1.42 billion from the equitable share of revenue raised nationally, own-source revenue (OSR) collection of Kshs.160.51 million. Additionally, the County had a unspent funds of Kshs.815.15 million from FY 2024/25. The total OSR collection of Kshs.160.51 million included Facilities Improvement Financing (FIF) of Kshs.147.26 million, and Kshs.13.25 million from other OSR sources. Table 3.71 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.71: Garissa County, Revenue Performance in FY 2025/26

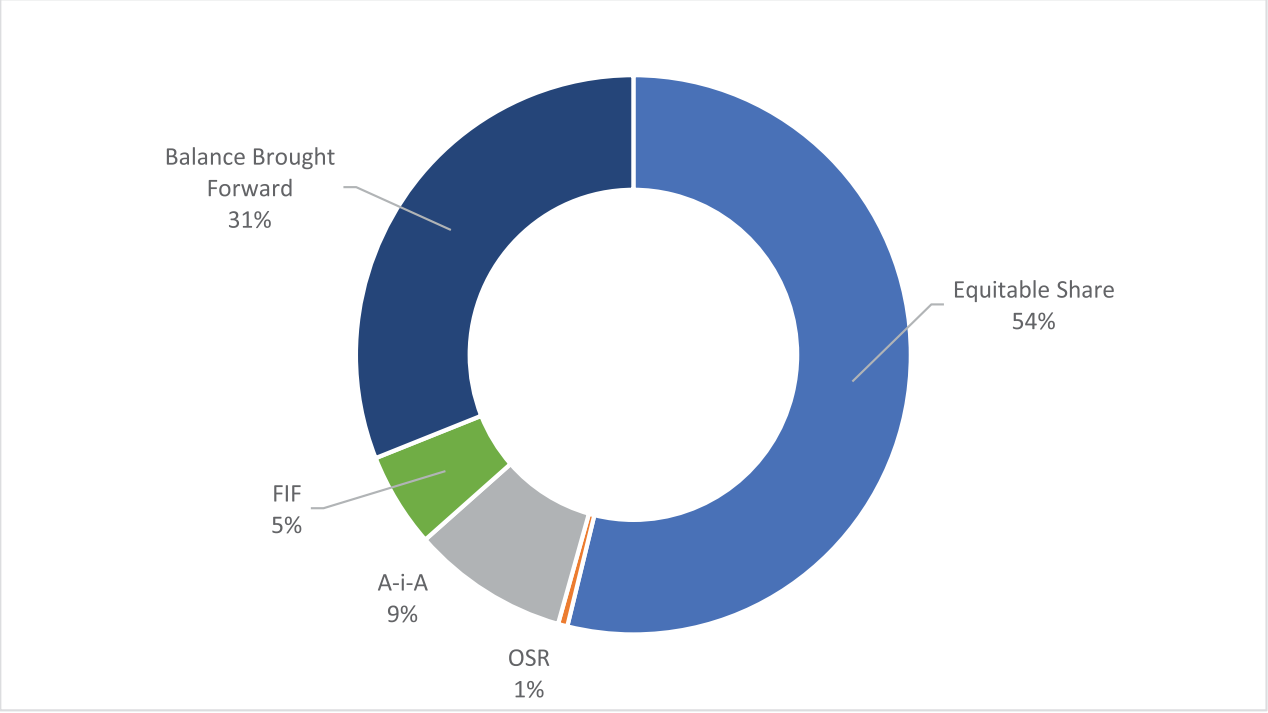
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	8,877,784,676	1,414,910,787	16
Subtotal		**8,877,784,676**	**1,414,910,787**	**16**
B	**Equalisation Fund Disbursement**			
Subtotal				
C	**Additional Allocations**			
1	Water and Sanitation Development Project (World Bank) WSDP	450,000,000		
2	Kenya Devolution Support Program KDSP11 Development Grant	352,500,000		
3	Framework for the Management of Food Systems Resilience Project – (FSRP)-IDA	251,000,000		
4	Road Maintenance Levy Fund (RMLF)	188,410,092.89		
5	Financing locally led climate action program (FLLoCA) County climate Institutional support (CCRI)	173,000,000		
6	Conditional Grant community Health Promoters	74,520,000		
7	Kenya Devolution Support Program KDSP11	37,500,000		
8	Kenay Urban Support Prorgam -KUSP UIG	35,000,000		
9	DANIDA Grant-Primary health care in devolved context	15,817,000		
10	Financing locally led climate action program (FLLoCA) County climate Institutional support (CCIS) Grant level 1 (world bank)	11,000,000		
Subtotal				

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
D	**Ordinary Own Source Revenue (OSR)**			
1	Ordinary Own Source Revenue	198,000,000	13,250,614	7
Subtotal		198,000,000	13,250,614	7
E	**Facility Improvement Fund (FIF)**			
1	SHIF	236,250,000	147,260,765	62
2	Defunct NHIF			
3	Other FIF	15,750,000	843,300	5
Subtotal		252,000,000	147,260,765	58
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	1,996,630,416	810,793,553.7	41
2	County Executive Refunds to CRF		4,350,722.55	
3	County Assembly Refunds to CRF		7,260.85	
Subtotal		1,996,630,416	81,5151,537.1	41
Grand Total		**12,913,162,184.81**	**2,390,573,703.06**	**19**

Source: *Garissa County Treasury*

The County has governing legislation on the operation of ordinary A-I-A and FIF. Figure 35 provides a detailed breakdown of Revenue, showing the amount received for each shilling.

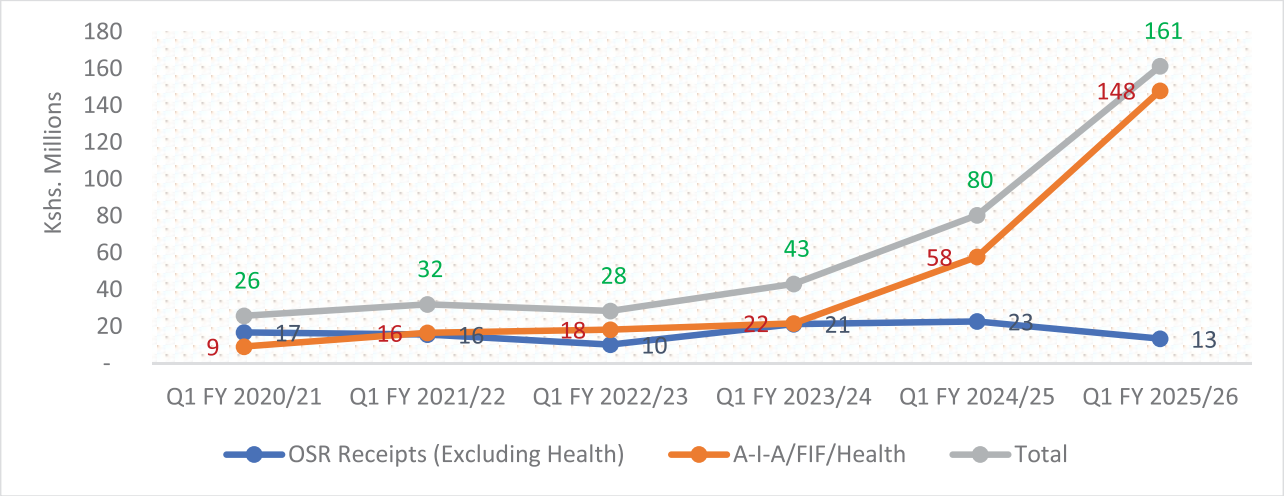
Figure 35: Garissa County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Garissa County Treasury*

The equitable share of revenue raised nationally and OSR contributed 59 and one per cent respectively of the total Revenue for the reporting period. Figure 36 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 36: Garissa County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



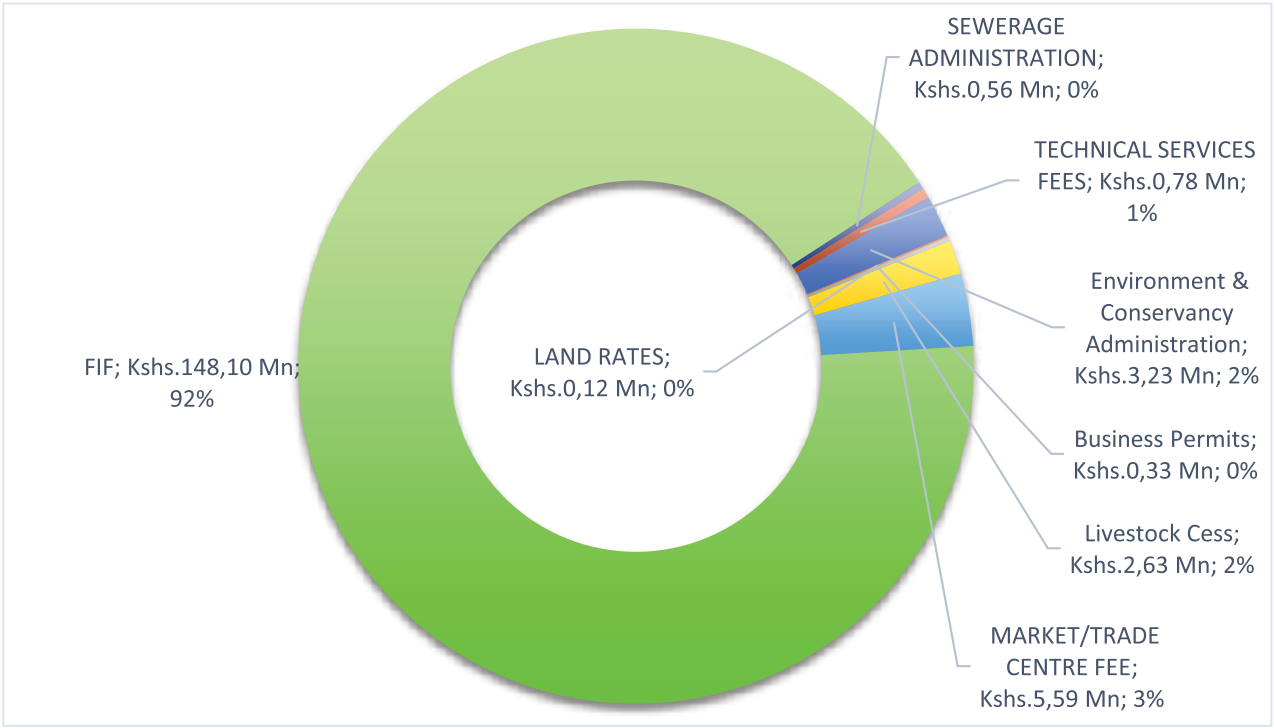
Source: *Garissa County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.161.35 million from its revenue sources, including FIF. This amount was an increase of 101 per cent compared to Kshs.80.47 million realised in a similar period in FY 2024/25, and was 36 per cent of the annual target and 11 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to collections from FIF, driven by an increase in enrolment of SHA by County residents. Similarly, the decline in the ordinary OSR was caused by severe droughts in the County, thereby negatively affecting cess collections from Livestock. Additionally, the executive order, which gave municipalities the authority to collect fees and levies, has negatively impacted the performance and the reporting of revenues collected from various revenue streams.

The revenue streams that contributed the most to OSR Revenue are shown in Figure 37.

Figure 37: Garissa County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Garissa County Treasury

As shown in Figure 37, the highest revenue stream, at Kshs.148.10 million, was from the Facility Improvement Fund (FIF), accounting for 92 per cent of the total OSR Revenue. The County Government indicated that it has not automated any revenue streams.

3.7.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.193.52 million, this amount increased to Kshs.1.06 billion as of 30th September 2025. Table 3.72 presents a breakdown of the County's revenue arrears.

Table 3.72: Garissa County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September,2025				**754,611,697**	**754,611,697**
	Sub-Total	**0**	**0**	**0**	**754,611,697**	**754,611,697**
B	**Facility Improvement Fund (FIF)**					
1	SHIF	**193,520,405**			**113,060,740**	**306,581,145**
	Sub-Total	**193,520,405**			**113,060,740**	**306,581,145**
Total		**193,520,405**	**0**	**0**	**867672437**	**1,061,192,842**

Source: Garissa County *Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.1.06 billion, comprising Kshs.754.61million for the equitable share (71 per cent) and Kshs 306.58 million for SHIF (29 per cent). The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include following-up, constituting payment arrangements with the SHA and initiation of a litigation process to compel the authority to clear the long-outstanding arrears.

Additionally, the County should procure an Automated Revenue Collection System, recruit qualified and initiate capacity-building programmes for revenue staff. Further, the County should develop a clear and guiding framework that will resolve the issues surrounding revenue collections and its utilization at the source by the municipalities.

3.7.4 Borrowing by the County

Garissa County Executive/ Assembly reported nil credit facility with bank(s).

3.7.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.11 billion from the CRF account during the reporting period, which comprised Kshs.162.57 million (15 per cent) for development programmes and Kshs.950.35 million (85 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.852.24 million was towards employee compensation and Kshs.98.11 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that there was neither domestic travel nor foreign travel exchequer. As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.810.79 million.

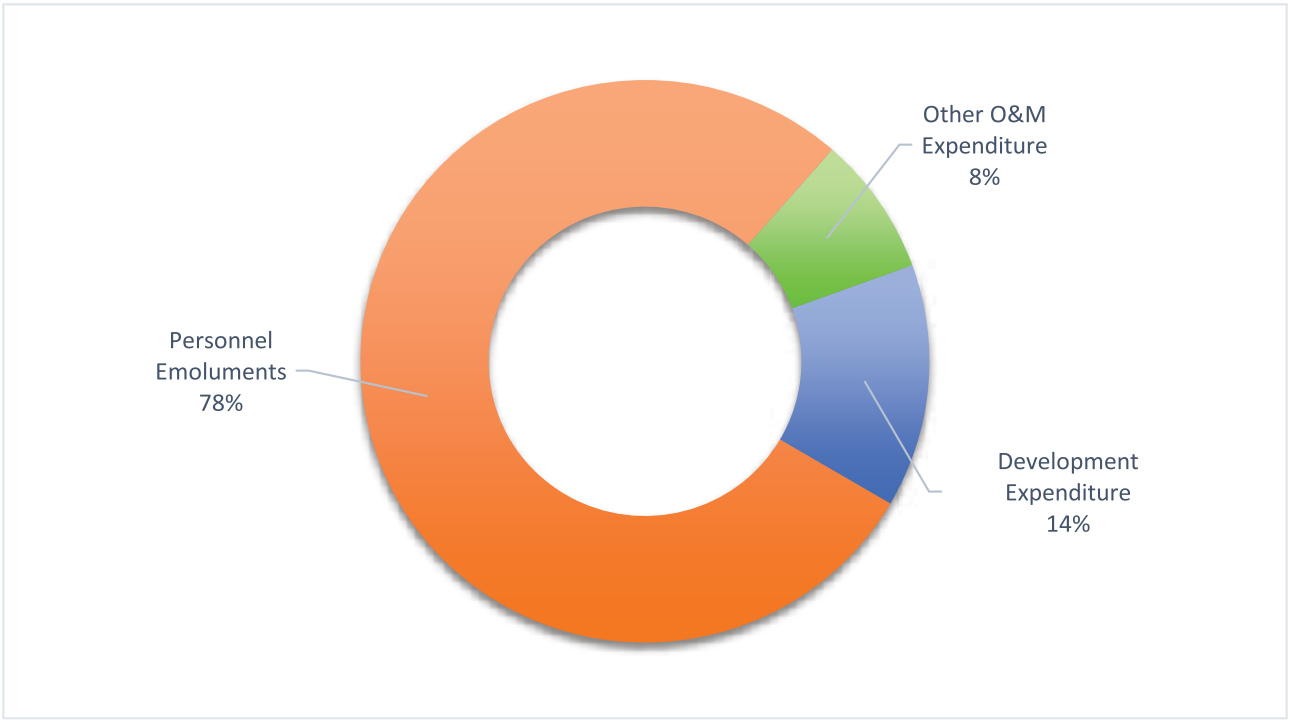
3.7.6 Expenditure Review

The County spent Kshs.1.09 billion on development and recurrent programmes in the reporting period. The expenditure represented 98 per cent of the total funds released by the CoB. It comprised Kshs.155.61 million for development programmes and Kshs.930.10 million for recurrent programmes. Expenditure on development

programmes accounted for 3 per cent of the annual development budget, while recurrent expenditure accounted for 12 per cent of the annual development and recurrent budgets, respectively.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 38: Garissa County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Garissa County *Treasury*

As shown in Figure 38, the three highest expenditure categories were Personnel Emolument, Development Expenditure, and Other O&M Expenditure, which contributed 78 per cent, 14 per cent, and 8 per cent of total expenditure for the reporting period, respectively.

3.7.7 Settlement of Trade Payables

As of 1st July 2025, the County reported Trade Payables totalling Kshs.2.59 billion. This amount included Kshs.2.42 billion from the County Executive and Kshs.161.26 million from the County Assembly. The Trade Payables from the County Executive consisted of Kshs.747.21 million for recurrent expenditures and Kshs.1.68 billion for development expenditures.

During the reporting period, the County Executive settled Trade Payables amounting to Kshs.156.36 million, comprising Kshs.0.75 million (1 per cent) for recurrent programmes and Kshs.155.61 million (99 per cent) for development programmes. On the other hand, the County Assembly did not settle any Trade Payables during the reporting period. The outstanding Trade Payables as of 30th September 2025 was Kshs.2.27 billion for County Executive and Kshs.161.26 million for County Assembly. Table 3.73 provides additional details of Trade Payables.

Table 3.73: Garissa County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	1,677,440,562	747,206,030	2,424,646,592
		County Assembly	45,001,334	116,262,839	161,264,173
		Total	1,722,441,896	863,468,869	2,585,910,765

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	116,000,000	50,000,000	166,000,000
		County Assembly	10,000,000	20,000,000	30,000,000
		Total	1,076,000,000	70,000,000	196,000,000
Amount paid in FY 2025/26	c	County Executive	155,606,407	754,430	156,360,837
		County Assembly			-
		Total	155,606,407	754,430	156,360,837
Outstanding Trade Payables as of 30 September 2025	e=a-c*b	**County Executive**	**1,521,834,155**	**746,451,600**	**2,268,285,755**
		County Assembly	**45,001,334**	**116,262,839**	**161,264,173**
		Total	**1,566,835,489**	**862,714,439**	**2,429,549,928**

Source: *Garissa County Treasury*

The County Executive and the Assembly submitted a Trade Payables payment plan, committing to pay Kshs.166 million and Kshs.30 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs156.36 million for the Executive, and the Assembly cleared nil.

Table 3.74 and Table 3.75 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.2.43 billion.

Table 3.74: Garissa County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**647,708,906**	**352,000,000**	**238,000,000**	**284,125,249**	**1,521,834,155.**
Recurrent Trade Payables (Goods & Services)	160,606,687		72621067	51322384	746,451,600
Total Recurrent Trade Payables	**160,606,687**	0	**72,621,067**	**513,223,846**	**746,451,600**
Total Trade Payables	**808,315,593**	**352,000,000**	**310,621,067**	**797,349,095**	**2,268,285,755**
% of Total	**36%**	**16%**	**14%**	**35%**	**100%**

Source: *Garissa County Treasury*

The Garissa County Executive is facing a severe and chronic Trade Payables crisis, with a total debt of Kshs.2.27 billion. The situation is critically worse than that of the County Assembly. The most alarming feature is the age of the debt: 35% (Kshs.797 million) is over three years old, indicating a long-standing, unaddressed problem. The Executive's debt is 14 times larger than the Assembly›s, pointing to fundamental issues in budget execution, cash flow management, and fiscal discipline within the executive branch.

Garissa County Executive side had development Trade Payables amounting to Kshs.1.52 billion (67.0 per cent of Total). This is the largest category, spread across all ageing periods, with a significant Kshs.284 million over 3 years old. This implies stalled projects and unpaid contractors, widespread project abandonment, active and costly litigation from contractors, and severe reputational damage, making it difficult and expensive to attract credible bidders for future projects.

Table 3.75: Garissa County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total6
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**37,635,1120**	**7,366,222**	**0**	**0**	**45,001,334**
Recurrent Trade Payables (Goods & Services)	16,217,956				**16,217,956**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	87,702,083	12,342,800			**100,044,883**
Recurrent Trade Payables (Staff Claims)					**0**
Total Recurrent Trade Payables	103,920,039	12,342,800	0	0	**116,262,839**
Total Trade Payables	**141,555,151**	**19,709,022**		**0**	**161,264,173**

Category	Ageing analysis (Amount in Kshs.)				Total6
	Under one year	1-2 years	2-3 years	Over 3 years	
% of Total	88%	12%	%	%	100%

Source: *Garissa County Treasury*

Garissa County Assembly has a total of Kshs.141.56 million in Trade Payables. A significant majority of this debt (88 per cent) is less than two years old, which is a positive indicator. However, the sheer size of the debt, particularly the Kshs.87.70 million in salary arrears and statutory deductions, raises serious concerns about the institution's financial management, cash flow, and legal/employee welfare obligations.

The vast majority of the debt is relatively recent. This suggests the problem is a current cash flow issue rather than a legacy of long-term neglect. It is easier to manage and clear recent debts.

Delays in paying contractors can lead to project stalls, costly litigation, and a loss of trust with the business community, making it harder and more expensive to secure contractors in the future.

3.7.8 Expenditure by Economic Classification

During the reporting period, the County Executive spent Kshs.751.88 million for compensation of employees, Kshs.79.63 million for operations and maintenance, and Kshs.155.61 million for development activities. Similarly, the County Assembly spent only on compensation of employees Kshs.98.60 million, as shown in Table 3.76

Table 3.76: Garissa County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**6,832,312,376**	**1,010,212,868**	**831,507,534**	**98,596,538**	**12**	**10**
Compensation of Employees	4,558,029,713	773,512,908	751,875,723	98,596,538	16	13
Operations and Maintenance	2,274,282,663	236,699,960	79,631,811	0	4	
Development Expenditure	**5,041,849,809**	**141,287,132**	**155,606,407**	**0**	**3**	
Total	**11,874,162,185**	**1,151,500,000**	**987,113,941**	**98,596,538**	**8**	**9**

Source: *Garissa County Treasury*

3.7.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.850.47 million. The percentage of compensation of employees to revenue was 36 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.806.20 million reported in a similar period in FY 2024/25. Of this total, Kshs.206.36 million related to the Health Sector employees, which accounted for 24 per cent of the overall employees' compensation.

Further analysis indicated that PE costs amounting to Kshs.793.11 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.57.36 million was processed through manual payroll, which accounted for seven per cent of the total PE cost.

The manual payroll comprised salaries for 195 staff not onboarded into the Human Resource Information System (HRIS), salaries for 508 casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.77.

Table 3.77: Breakdown of Garissa County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
1	Salaries for staff yet to be onboarded into HRIS	15,700,025.68
2	Salaries for casual staff	9,977,990.131
3	Top-up Allowances for Security Officers	1,287,228.91
4	LAPTRUST/LAPFUND Pension Contributions	24,130,616.59
5	Gratuity for contract staff	2,298,755
6	Youth	2,019,341.31
7	Community Health Workers	717,170.39
8	MCA	1,230,975
	Total	**57,362,103**

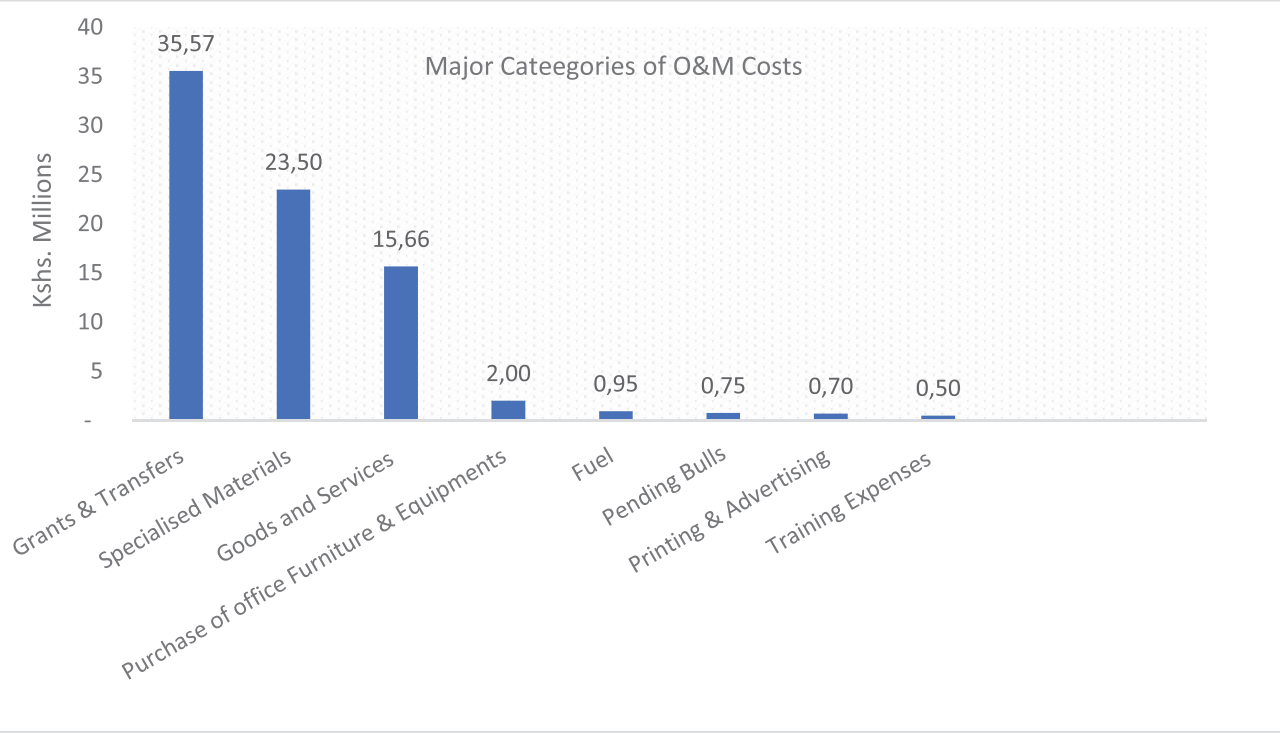
Source: Garissa County Treasury

The County Assembly did not spent on committee sitting allowances for the MCAs against the annual budget allocation of Kshs.78.30 million. The average monthly sitting allowance was zero per MCA. The County Assembly has House Committees.

3.7.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.79.63 million on operations and maintenance, representing a decrease of 76 per cent compared to FY 2024/25, when the County spent Kshs.338.83 million. Figure 39 summarises the Operations and Maintenance expenditure by major categories.

Figure 39: Garissa County, Operations and Maintenance Expenditure by Major Categories



Source: *Garissa County Treasury*

Operations and Maintenance expenditure shows that **Grants & Transfers** dominated at **45 per cent,** mainly funding hospitals, GAWASCO, and municipalities. This was followed by **Specialised Materials & Supplies** at **29.5 per cent**, covering core activities like medical and construction supplies, and **Goods and Services** at **19.7 per cent,** which supported routine operational costs such as utilities, office supplies, and professional services.

3.7.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

Garissa County budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 did not incur any of the "other Operating expenses".

3.7.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.90 million to County-Established funds in FY 2025/26, or 0.75 per cent of the County's overall budget. Further, the County allocated Kshs.40 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.78 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.78: Performance of Garissa County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1	Disaster Management Fund/ Emergency	2014	40,000,000	0	0	724, 969,431	YES
2	Bursary Fund	2014	50,000,000	0	0	625,000,000	YES
3	Micro and Small Enterprises Development Revolving Fund	2015	0	0	0	40,000,000	YES
	Total		**90,000,000**	**0**	**0**	**1,409,969,431**	

Source: *Garissa County Treasury*

During the reporting period, the CoB did receive quarterly financial reports from all the Fund Administrators, as indicated in Table 3.78, as per the requirement of Section 168 of the PFM Act, 2012. The County disclosed that administration costs of the all the Funds were within the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of all **the Funds** had not lapsed.

3.7.13 County Corporations

The County has only one operational Corporation, which was allocated Kshs.50 million in FY 2025/26. The second one is still in the final stages before it commences. The total expenditure for the review period was nil, as shown in Table 3.79.

Table 3.79: Performance of Garissa County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Garissa Water and Sewerage Company	50,000,000	0	0	345,000,000
2	Garissa Rural Water and Sewerage Company	0	0	0	0
	Total	50,000,000	0	0	345,000,000

Source: *Garissa County Treasury*

3.7.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel and on foreign travel was nil during the reporting period.

3.7.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.148.10 million as FIF, which was 59 per cent of the annual target of Kshs.252 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.143.91 million, as shown in Table 3.80.

Table 3.80: Garissa County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	189,881,368.80	111,596,042	59
2.	Level 4 Hospital	7	62,118,631.22	32,309,627	52
	Total		**252,000,000**	**143,905,669**	**57**

Source: *Garissa County Treasury*

Note: The County did not provide data for levels 3 & 2

3.7.16 Development Expenditure

In the review period, the County reported spending Kshs.155.61 million on development programmes, representing a decrease of 64 per cent compared to FY 2024/25, when the County spent Kshs.428.61 million. Table 3.81 summarises the development projects with the highest expenditure in the reporting period.

The decline in development expenditure was attributed to delays in fund disbursements and squabbles between the National Treasury and the County government over E procurement, which led to a prolonged legal battle still before the court, hindering County operations.

Table 3.81: Garissa County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1	Water, Environment and Natural Resources	Proposed drilling & equipping of the Gubadeer borehole project	Lagdera	15-08-2025	11,958,186	11,958,186	9,186,500	16
2	Water, Environment and Natural Resources	CONSTRUCTION OF DADBILAL WATER PAN	Masalani	24-07-2025	14,695,057	14,695,057		
3	Water, Environment and Natural Resources	Proposed construction of 7Km water piping works at Balambala town	Balambala	10/8/2025	19,997,000	9,235,160		
5	Water, Environment and Natural Resources	Proposed construction of the Denka Water Pan in Lagdera	LAGDERA	3/9/2025	16,814,060	16,814,060		
7	TRADE AND INVESTMENT	County Integrated Industrial Park	Township	25-12-2025	490,600,000	56,000,000		

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
8	Lands, Physical Planning and Urban Development	Proposed consultancy services for cadastral surveying and registration of tittles of Dadaab within Garissa County	County	30-12-2025	95,468,000	38,628,000		
9	Agriculture, Livestock & pastoral	Proposed renovation & completion of FSRP office block	Township	5/12/2025	21,284,360	16,373,897.23		
10	Culture, Gender ,Youth & Sports	Construction of pavillion	Township	30-12-2025	187,800,000	21,000,000		
11	Health and sanitation	PROPOSED RENOVATION AND COMPLETION OF BOTHAI MATERNITY	bothai	07 November 2025	9,250,203	9,250,203		
12	Roads, Transport and Public Works	Proposed upgrading of Bitumen standards of Bulla Medina (Yathrib) to Burbuns	T O W N - SHIP	12 November 2025	93,060,017	39,675,672		
13	Roads, Transport and Public Works	Proposed upgrading and construction of new terminal of Garissa Airstrip	T O W N - SHIP	20-12-2025	109,595,053	25,400,000		

Source: *Garissa County Treasury*

The County reported four stalled development projects as of 30 September 2025, with an estimated value of Kshs.283.54 million, of which Kshs.38.65 million has already been paid. The stalled projects are shown in Table 3.82.

Table 3.82: Garissa County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Construction of Health Headquarters	Township	NA	46,563,340	38,652,052	90	Lack of concurrence on variation
Construction of Dispensary block at Gedilun Sangailu	ijara	NA	5,673,942	-	30	Contractor Deserted the site
Construction and Equipping of Cancer Centre	Township	NA	222,289,475	0	5	Contractor Deserted the site
Construction of Maternity at Bura	Township	NA	9,013,440	0	20	Contractor Deserted the site
Total			283,540,197	38,652,052		

Source: Garissa County Treasury

3.7.17 Budget Performance by Department

Table 3.83 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.83: Garissa County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer(%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Pastoral	179.96	501.95	39.93	-	37.61		94	-	21	-
Culture, Gender, Youth and Sports	66.21	123.00	14.63	29.87	14.43	29.87	99	100	22	24
Roads, Transport and Public Works	104.82	866.82	30.00	54.95	29.03	54.95	97	100	28	6
Education, Information and ICT	454.66	164.00	55.62	-	54.27		98	-	12	-
Lands, Physical Planning and Urban Development	596.38	517.46	58.51	-	58.18		99	-	10	-
Finance and Economic Planning	1,047.88	116.00	140.47	-	138.48		99	-	13	-
Health and Sanitation	3,319.00	495.00	265.49	21.30	261.93	21.30	99	100	8	4
Trade, Investments and Enterprise Development	95.31	65.00	24.00	56.45	19.80	49.48	83	88	21	76
Water, Environment and Natural Resources	215.26	1,793.12	38.73	-	37.17		96	-	17	-
County Affairs, Public Service and Intergovernmental Relations	556.05	399.50	168.37	-	167.47		99	-	30	-
County Public Service Board	84.30	-	16.00	-	13.13		82	-	16	-
County Assembly	1,010.21	141.29	98.60	-	98.60		100	-	10	-
TOTAL	**7,730.03**	**5,183.14**	**950.35**	**162.57**	**930.10**	**155.61**	**98**	**96**	**12**	**3**

Source: *Garissa County Treasury*

Analysis of expenditure by departments shows that the Department of Trade, Investments and Enterprise Development recorded the highest absorption rate of development budget at 76 per cent, followed by the Department of Culture, Gender, Youth and Sports at 24 per cent. The Department of County Affairs, Public Service and Intergovernmental Relations had the highest percentage of recurrent expenditure to budget at 30 per cent, while the Department of Health and Sanitation had the lowest at 8 per cent.

3.7.18 Budget Execution by Programmes and Sub-Programmes

An analysis of expenditure by sub-programme reveals that the Fisheries Services within the Department of Agriculture, Livestock, and Pastoral Affairs had the highest absorption rate at 100 per cent. This was followed by Administrative and Support Services under the Department of Trade, Investments, and Enterprise Development, which recorded a development budget absorption rate of 22 per cent. Social Protection under the Department of Culture, Gender, Youth, and Sports had an absorption rate of 30 per cent.

In terms of recurrent expenditure, many sub-programmes—including Education, Water, and County Executive Services—showed low overall absorption of development funds, indicating significant underutilization of allocated resources.

3.7.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 26 accounts in commercial banks, including 12 accounts for Health Facilities, two accounts for Vocational Training Centres, five accounts for Established Funds, one revenue account, one special-purpose account (additional allocations), and four accounts for departmental operations

The County Treasury submitted copies of the authorisation letters to the Controller of Budget for the opening of 26 commercial bank accounts, as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.7.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 18th November,2025.
ii. Low development performance in the review period as the County incurred Kshs.155.61 million on development activities, achieving three per cent absorption rate.
iii. High level of Trade Payables, which amounted to Kshs.2.42 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the Trade Payables by the County Treasury.
iv. A significant portion of the County's development projects, valued at Ksh 283.54 million, has stalled, with contractor desertion and administrative disputes leading to low completion rates and underutilization of funds.
v. The under-performance of ordinary OSR at Kshs.12.25 million against an annual target of Kshs.198 million, representing 7 per cent of the financial year target, below the expected 25 per cent.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County Leadership should address the situation of Trade Payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
iv. *The County should urgently address stalled projects by resolving disputes, re-engaging or replacing contractors, and strengthening project oversight to ensure timely completion and safeguard public resources.*
v. *The County should address its ordinary OSR performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure*

3.8. County Government of Homa Bay

3.8.1 Overview of FY 2025/26 Budget

The Homa Bay County Approved Budget for FY 2025/26 is Kshs.12.19 billion. It comprises Kshs.4.13 billion (34 per cent) and Kshs.8.06 billion (66 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.945.40 million equivalent to a decrease of 7 per cent from the FY 2024/25 budget of Kshs.13.13 billion, which comprised a development budget of Kshs.5.19 billion and a recurrent budget of Kshs.7.94 billion.

The budget is to be financed from various revenue sources, including the equitable share of revenue raised nationally, amounting to Kshs.8.54 billion (70 per cent), additional allocations of Kshs.1.65 billion (14 per cent), share of equalisation funds of Kshs.124 million (1per cent), a cash balance of Kshs.243.75 million (2 per cent) brought forward from FY 2024/25, and Kshs.1.63 billion (13 per cent) to be generated as own-source revenue. The own-source revenue comprised Kshs.566.18 million to be deposited into the CRF and Kshs.1.06 billion as Facility Improvement Fund (revenue from health facilities) to be spent at source. A breakdown of the additional allocations is shown in Table 3.84.

3.8.2 Revenue Performance

During the first Quarter of FY 2025/26, the County recevied Kshs.1.81 billion in revenue. This amount represented an increase of 7 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.68 billion. The total revenue consisted of Kshs.1.39 billion from the equitable share of revenue raised nationally, additional allocations from the national government and development partners of Kshs.102.34 million as well as own-source revenue (OSR) collection of Kshs.322.32 million. Additionally, the County had a cash balance of Kshs.106 million from FY 2024/25.

The total OSR collection of Kshs.322.32 million included Facilities Improvement Financing (FIF) of Kshs.246.91 million, and Kshs.75.40 million from other OSR sources. Table 3.84 summarises the total revenue available to the County Government during FY 2024/25.

Table 3.84: Homa Bay County, Revenue Performance in FY 2025/26

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
A.	**Equitable Share of Revenue Raised Nationally**	8,539,802,361	1,386,183,858	16
Sub-Total		**8,539,802,361**	**1,386,183,858**	**16**
B.	**Equalisation Fund Disbursement**	124,000,500	-	-
Sub-Total		**124,000,500**	**-**	**-**
C.	**Additional Allocations**			
1	National Value Chain Development Project (NAVCDP)	151,515,152	-	-
2	DANIDA	21,383,750	-	-
3	Financing Locally-Led Climate Actions Programme -CCRI&CCRIG) IDA &KFW	251,984,144	-	14
4	Financing Locally-Led Climate Actions Programme -CCIS	11,000,000	-	-
5	Kenya Informal Settlements Improvement Programme (KISIP)II	474,207,780	-	14
6	Kenya Urban Support Programme (UIG)	35,000,000	-	-
7	Road Maintenance Levy	140,000,000	-	-
8	Kenya Urban Support Programme (UDG)	39,000,000	-	-
9	Kenya Urban Support Programme (UDG)	20,000,000	-	-
10	Kenya Devolution Support Programme (KDSPII)	390,000,000	-	-
11	Community Health Promoters (CHP)	88,620,000	-	-
12	Kenya Agricultural Business Development Programme (KABDP)	10,918,919	-	-
13	Aquaculture Business Development Programme (ABDP)	12,909,422	-	-
Sub-Total		**1,646,539,167**	**-**	**6**
D.	**Own Source of Revenue**			
	Ordinary Own Source Revenue	566,180,758	75,403,149	13
Sub-Total		**566,180,758**	**75,403,149**	**13**
E.	**Facility Improvement Fund (FIF)**			
	SHIF	1,064,906,565	246,912,316	23
Sub-Total		**1,064,906,565**	**246,912,316**	**23**

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
F.	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	243,747,552	104,157,173	43
2	County Executive Refunds to CRF		1,622,323	-
3	County Assembly Refunds to CRF		219,437	-
Sub-Total		**243,747,552**	**105,998,933**	**43**
Grand Total		**12,185,176,903**	**1,814,498,256**	**15**

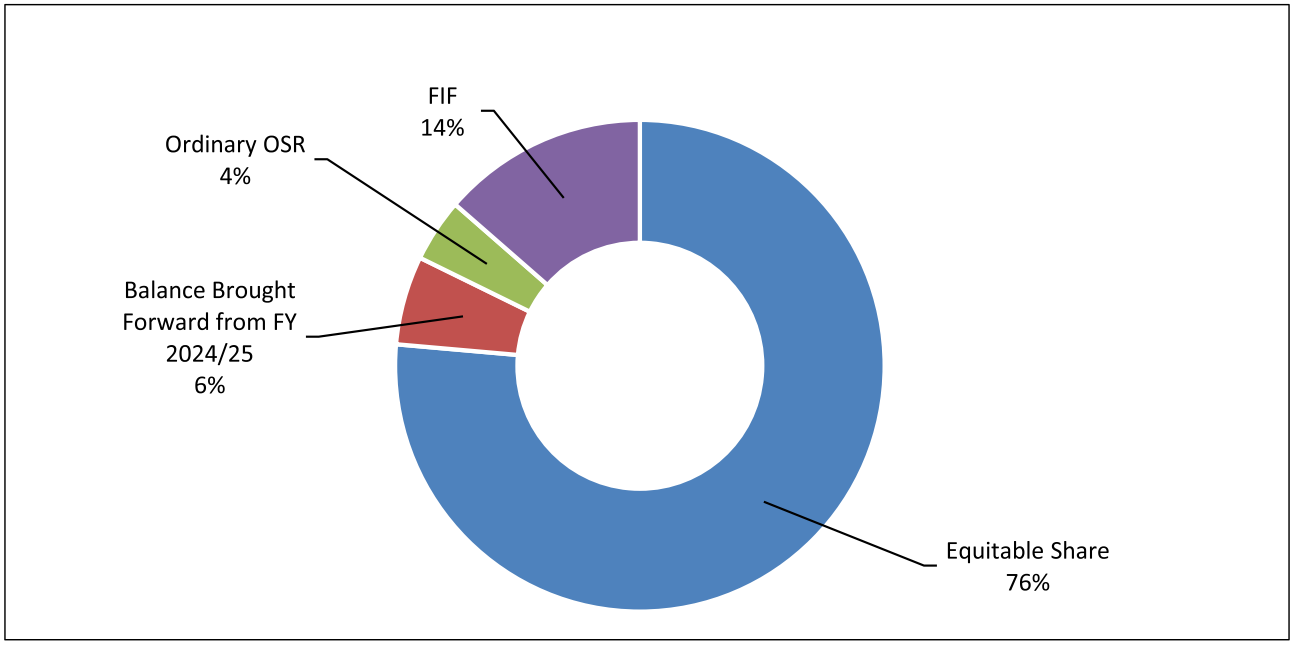
Source: *Homa Bay County Treasury*

Note: The balance brought forward from FY 2024/25 includes Kshs.102.34 million relating to additional allocations (conditional grants) from FY 2024/25.

It is worth noting that the County Assembly enacted the Homa Bay County Facility Improvement Fund Act, 2023, which enabled County health facilities to collect and retain revenue paid as user fees to offset operational, management, and capital costs.

Figure 40 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

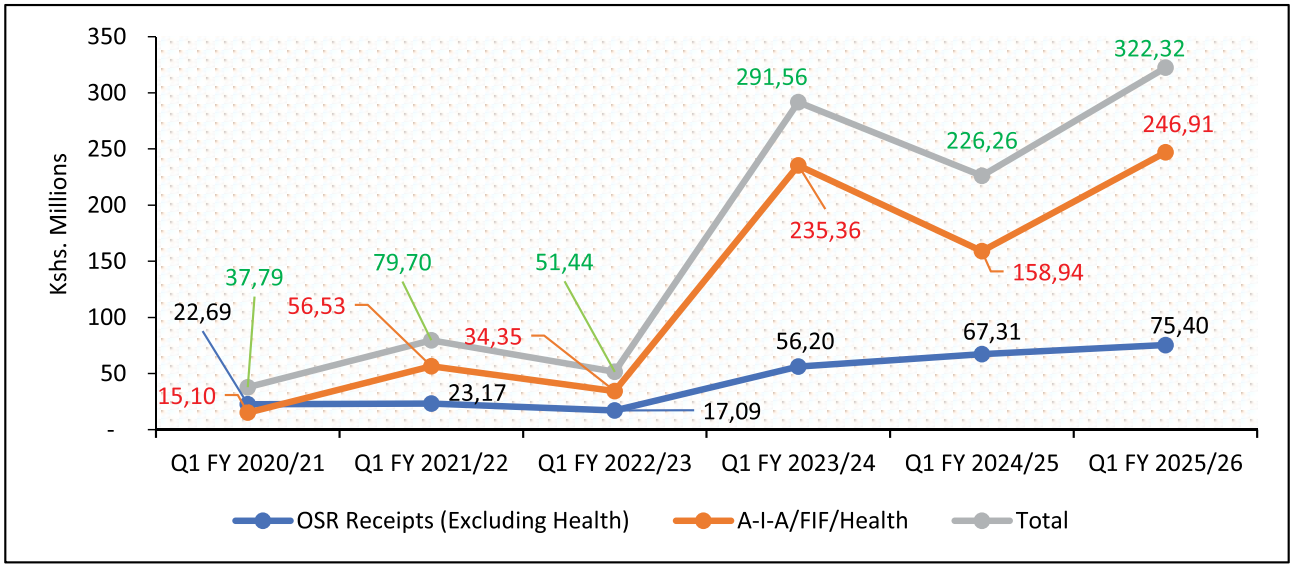
Figure 40: Homa Bay County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Homa Bay County Treasury*

The equitable share of revenue raised nationally, Facility Improvement Fund (FIF), and balance brought forward contributed 76 per cent, 14 per cent, and 6 per cent, respectively, of the total receipts for the reporting period. Figure 41Figure 2 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 41: Homa Bay County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

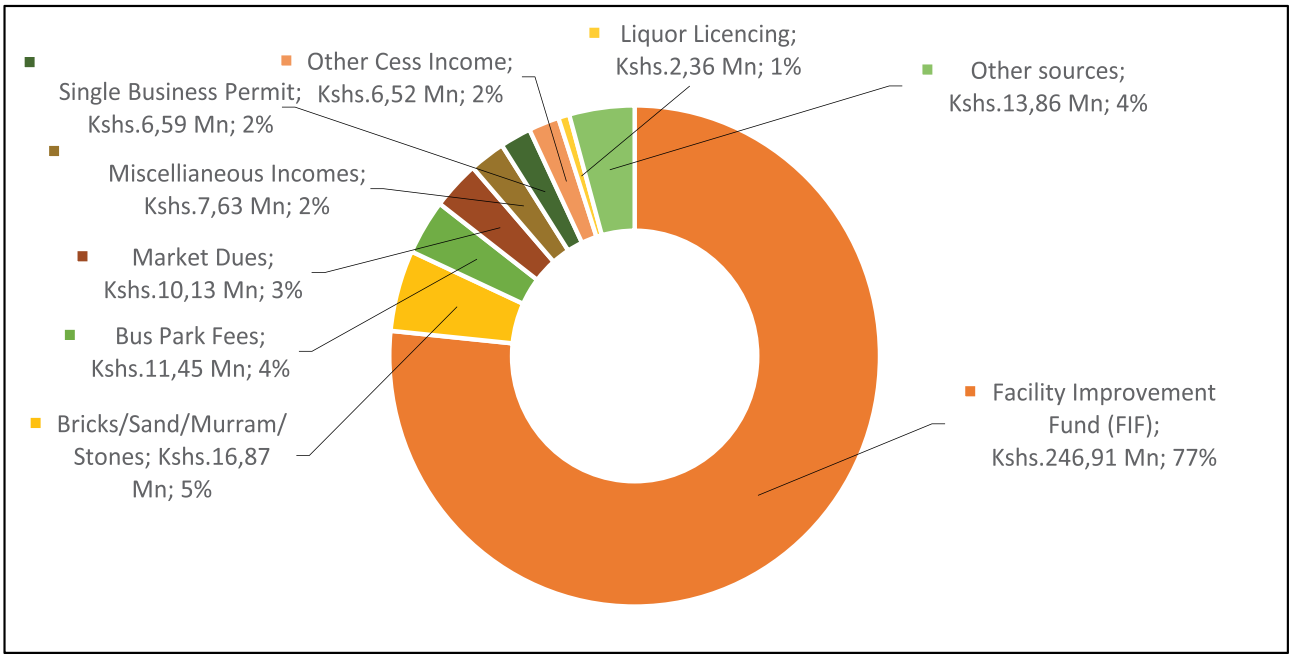


Source: *Homa Bay County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.322.32 million from its revenue sources, including FIF. This amount was an increase of 42 per cent compared to Kshs.226.26 million realised in same period in FY 2024/25, and was 20 per cent of the annual target and 23 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR receipts are shown in Figure 42

Figure 42: Homa Bay County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Homa Bay County Treasury

As shown in Figure 42, the highest revenue stream, at Kshs.246.91 million, was from the Facility Improvement Fund (F.I.F), accounting for 77 per cent of the total OSR receipts. The County Government has automated all the revenue streams.

3.8.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.26.35 million, this amount reduced to Kshs.23.27 million as of 30th September 2025. Table 3.85 presents a breakdown of the County's revenue arrears.

Table 3.85: Homa Bay County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	E=a-b-c+d
A	**Ordinary Own Sources of Revenue**					
1	Cess	1,038,410	-	1,038,410		-
2	Land rates	25,314,569		2,048,202		**23,266,367**
Total		**26,352,979**	**-**	**3,086,612**		**23,266,367**

Source: *Homa Bay County Treasury*

As of 30 September 2025, the total revenue arrears amounted to Kshs.23.27 million, all of which related to land rates. The County has issued demand letters to defaulters as part of its efforts to collect the outstanding arrears in FY 2025/26.

3.8.4 Borrowing by the County

The County Executive, in accordance with the Authorisation from the County Assembly, entered into an agreement with Equity Bank (K) Limited for the advance payroll management overdraft facility. The agreement provided for the advance Payroll Management Overdraft facility at an interest rate of 1.5 per cent and an excise duty of 20 per cent on the interest and bank charges. As of 30th September 2025, the outstanding payroll management overdraft facility from Equity Bank (K) limited amounted to Kshs.471.48 million.

We also note that the County Government of Homa Bay entered into a tenant purchase agreement, on 6th May, 2024, with the County Pension Fund (CPF) for the construction of the Homa Bay County Headquarters and ancillary facilities, i.e. the Ampitheatre and the Ushuru Centre. The total project cost of Kshs.820 million, with a monthly repayment of Kshs.17,250,000 over a period of four years.

3.8.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.803.50 million from the CRF account during the reporting period, which comprised Kshs.102.34 million (13 per cent) for development programmes and Kshs.701.16 million (87 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.615.67 million was towards employee compensation and Kshs.85.49 million for operations and maintenance expenditure.

The operations and maintenance withdrawal requests analysis indicates that 43 per cent was for domestic travel, accommodation and subsistence allowance. The domestic travel exchequer amounted to Kshs.36.83 million, all of which were incurred by the County Assembly. The County entities did not submit any withdrawal request for foreign travel, accommodation and subsistence allowance.

As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.738.04 million.

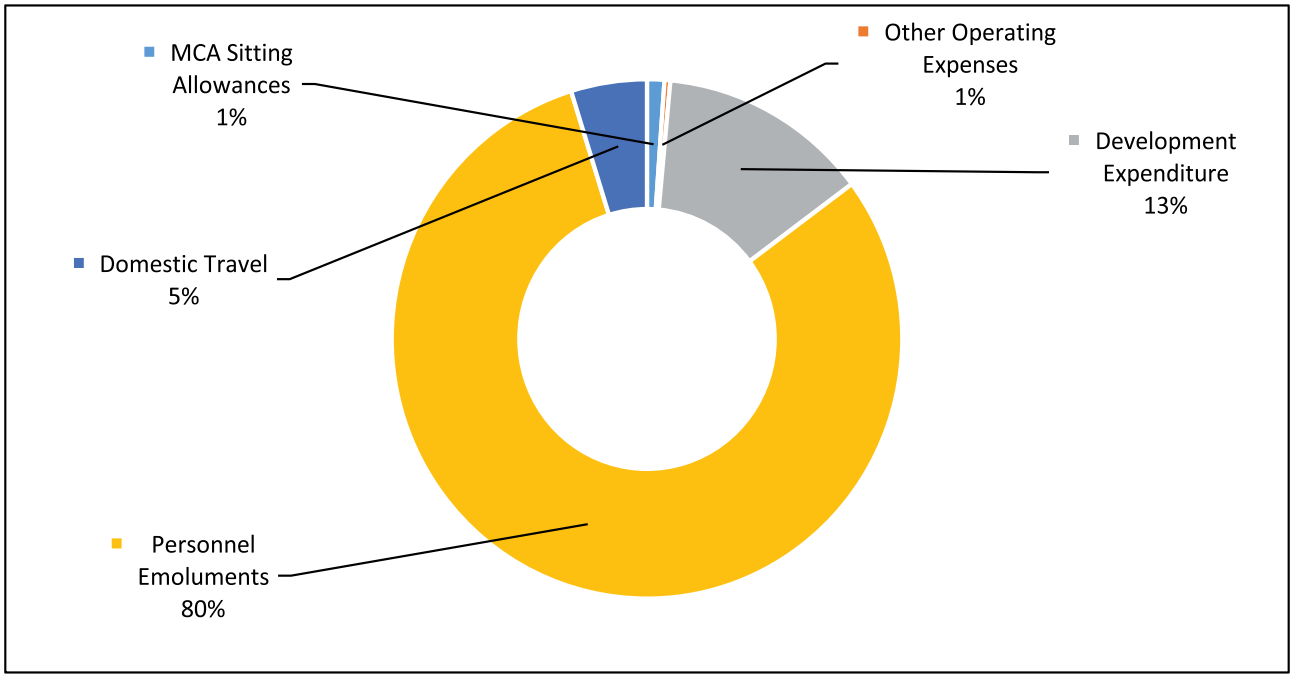
3.8.6 County Expenditure Review

The County spent Kshs.798.75 million on development and recurrent programmes in the reporting period. The expenditure represented 99 per cent of the total funds released by the CoB. It comprised Kshs.102.34 million for development programmes and Kshs.696.41 million for recurrent programmes. Expenditure on development

programmes represented an absorption rate of 2 per cent, while recurrent expenditure represented 9 per cent of the annual recurrent expenditure budget.

Figure 43 provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 43: Homa Bay County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Homa Bay County Treasury*

As shown in Figure 43, the three highest expenditure categories were personnel emoluments. Development expenditure and domestic travel contributed 77, 13 and 5 per cent of total expenditure for the reporting period, respectively.

3.8.7 Settlement of Pending Bills

As of 1st July 2025, the County reported pending bills totaling Kshs.2.43 billion. This amount included Kshs.2.11 billion from the County Executive and Kshs.319.71 million from the County Assembly. The pending bills from the County Executive consisted of Kshs.857.91 million for recurrent expenditures and Kshs.1.25 billion for development expenditures while the pending bills from the County Assembly consisted of Kshs.119.01 million for recurrent expenditures and Kshs.200.70 million for development expenditures.

During the reporting period, the County Executive settled pending bills amounting to Kshs.613.83 million, all for recurrent activities. In contrast, the County Assembly did not settle any pending bills. The outstanding pending bills as of 30th September 2025 was Kshs.1.49 billion for County Executive and Kshs.319.71 million for County Assembly. Table 3.86 provides additional details of pending bills.

Table 3.86: Homa Bay County Pending Bills as of 30 September 2025

	County Entity	Development	Recurrent	Total
As at 1 July 2025 (End of FY 2024/25)	County Executive	1,248,313,280	857,909,645	2,106,222,924
	County Assembly	200,703,178	119,006,988	319,710,166
	Total	1,449,016,457	976,916,633	2,425,933,090
Amount paid in FY 2025/26	County Executive	-	613,831,642	613,831,642
	County Assembly	-	-	-
	Total	-	613,831,642	613,831,642

	County Entity	Development	Recurrent	Total
Outstanding pending bills as of 30 September 2025 (Kshs.)	County Executive	1,248,313,280	244,078,003	1,492,391,282
	County Assembly	200,703,178	119,006,988	319,710,166
	Total	**1,449,016,457**	**363,084,991**	**1,812,101,448**

Source: *Homa Bay County Treasury*

The County Executive submitted a payment plan for pending bills. The County Executive noted that they will consistently settle pending bills of varying amounts with each tranche of the equitable share of revenue raised nationally as per the plan. In contrast, the County Assembly did not submit its pending bills payment plan. Table 3.87 and Table 3.88 present the ageing of the total outstanding bills as of 30 September 2025, for the County Executive and County Assembly, which was Kshs.1.81 billion.

Table 3.87: Homa Bay County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills	365,856,814.03	549,789,573.20	272,078,274.31	60,588,618.00	1,248,313,279.54
Recurrent Pending Bills (Goods & Services)	66,681,506.54	71,147,976.48	50,304,601.50	55,943,918.00	244,078,002.52
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Pending Bills (Staff Claims)	-	-	-	-	-
Total Recurrent Pending Bills	**66,681,506.54**	**71,147,976.48**	**50,304,601.50**	**55,943,918.00**	**244,078,002.52**
Total Pending Bills	**432,538,320.57**	**620,937,549.68**	**322,382,875.81**	**116,532,536.00**	**1,492,391,282.06**
% of Total	**29**	**42**	**22**	**8**	**100**

Source: *Homa Bay County Treasury*

Table 3.88: Homa Bay County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills	48,778,747.68	142,700,276.04	-	9,224,154.00	200,703,177.72
Recurrent Pending Bills (Goods & Services)	6,499,020.00	49,832,025.00	17,446,950.82	45,228,992.40	119,006,988.22
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Pending Bills (Staff Claims)	-	-	-	-	-
Total Recurrent Pending Bills	6,499,020.00	49,832,025.00	17,446,950.82	45,228,992.40	119,006,988.22
Total Pending Bills	**55,277,767.68**	**192,532,301.04**	**17,446,950.82**	**54,453,146.40**	**319,710,165.94**
% of Total	**17**	**60**	**5**	**17**	**100**

Source: *Homa Bay County Treasury*

3.8.8 Expenditure by Economic Classification

The County Executive incurred Kshs.577.28 million for compensation of employees, Kshs.44.09 million for operations and maintenance, and Kshs.102.34 million for development activities. Similarly, the County Assembly spent Kshs.38.39 million on compensation of employees, Kshs.36.65 million on operations and maintenance. The County Assembly did not incur any expenditure on the development activities, as shown in Table 3.89.

Table 3.89: Homa Bay County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Original Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**7,022,296,202**	**1,032,734,503**	**621,364,342**	**75,041,570**	**9**	7
Compensation of Employees	5,393,053,980	477,225,034	577,276,860	38,391,138	11	8
Operations and Maintenance	1,629,242,222	555,509,469	44,087,482	36,650,432	3	7
Development Expenditure	**3,986,807,712**	**143,338,488**	**102,340,021**	-	**3**	-
Total	**11,009,103,914**	**1,176,072,991**	**723,704,363**	**75,041,570**	**7**	**6**

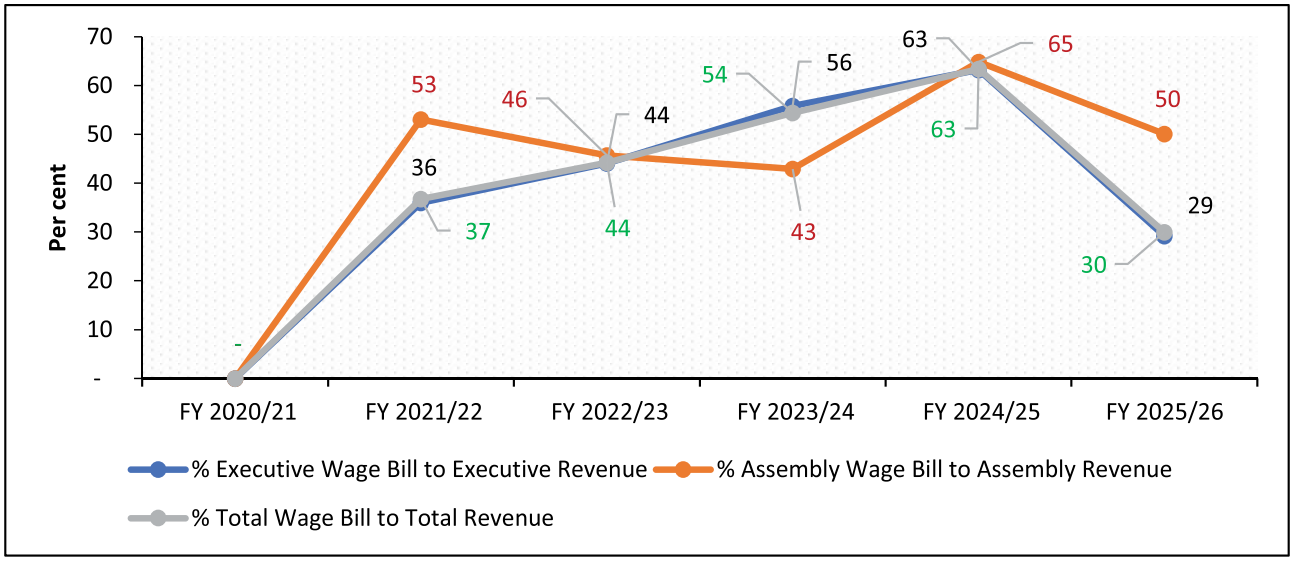
***Source**: Homa Bay County Treasury*

3.8.9 Expenditure on Compensation of Employees

During the period under review, expenditure on employee compensation totalled Kshs.615.67 million, accounting for 30 per cent of the available revenue. This expenditure on employee compensation showed a decrease of 42 per cent from Kshs.1.06 billion reported in the same period in FY 2024/25. Of this total, Kshs.300.21 million related to Health Sector employees, which accounted for 49 per cent of the overall employees' compensation. The decrease in PE expenditure in the reporting period, compared to the same period in FY 2024/25, is attributable to the delay by the National Treasury in disbursing the equitable share of revenue raised nationally for August 2025 and September 2025.

Figure 44 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 44: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Homa Bay County Treasury

Further analysis indicated that PE costs amounting to Kshs.610.86 million were processed through the Human Resource Information System (HRIS). On the other hand, Kshs.14.24 million was processed through manual payroll, accounting for 2 per cent of the total PE cost.

The manual payrolls comprised salaries for the County Assembly staff who are yet to be onboarded into the Government Human Resource Information System (HRIS), as well as gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.90.

Table 3.90: Breakdown of Homa Bay County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
1	Salaries for the County Assembly staff who were yet to be onboarded into HRIS	1,155,510.00
2	LAPTRUST/LAPFUND Pension Contributions	7,525,068.35
3	Gratuity for contract staff	5,556,574.00
	Total	**14,237,152.35**

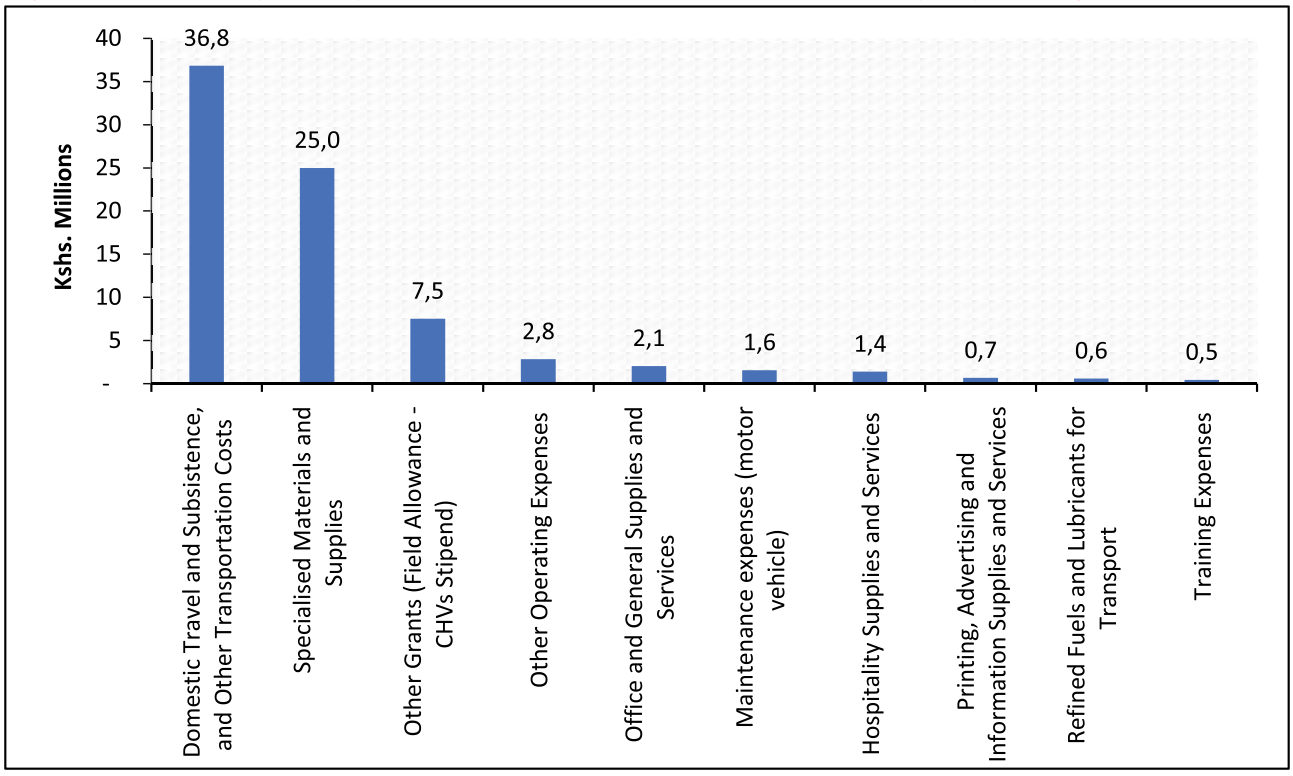
Source: Homa Bay County Treasury

The County Assembly spent Kshs.8.38 million on committee sitting allowances for the 54 MCAs against the annual budget allocation of Kshs.45.68 million. The average monthly sitting allowance was Kshs.50,810 per MCA. The County Assembly has 22 House Committees.

3.8.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.80.74 million on operations and maintenance, representing a decrease of 62 per cent compared to the same period in FY 2024/25, when the County spent Kshs.214.91 million. Figure 45 summarises the Operations and Maintenance expenditure by major categories.

Figure 45: Homa Bay County, Operations and Maintenance Expenditure by Major Categories



Source: *Homa Bay County Treasury*

3.8.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.401.88 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Further, the County allocated Kshs.17.23 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.91 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.91: Performance of Homa Bay County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds				
1	Homa Bay County Bursary Fund	2015	215,000,000	-	-	Yes
2	Homa Bay Emergency Fund	2016	17,231,742	-	-	Yes
3	Homa Bay County Car Loan and Mortgage Scheme Fund	2016	38,263,559	-	-	Yes
4	Homa Bay County Alcoholic Drinks Control Fund	2015	-	-	-	Yes
		County Assembly Established Funds				
1	Homa Bay County Assembly Car Loan and Mortgage Scheme Fund	2016	131,385,496	-	-	No
	Total		**401,880,797**	-	-	

Source: *Homa Bay County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from the Homa Bay County Assembly Car Loan and Mortgage Scheme Fund Administrator, as indicated in Table 3.91, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespans of the Homa Bay County Bursary Fund and the Homa Bay County Alcoholic Drinks Control Fund are nearing expiration, thus necessitating a timely review and extension of these public funds to prevent operational disruptions. The two established funds will expire on 31st December 2025.

3.8.12 County Corporations

The County Government of Homa Bay has one County Corporation, namely the Homa Bay County Water and Sanitation Company Limited (HOMAWASCO). We note that the County allocated Kshs.15 million as capital transfers to HOMAWASCO under the water supply and management services programme. However, the County did not make any capital transfers nor incur any expenditure on the Corporation.

3.8.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.36.8 million, all of which was incurred by the County Assembly. The County Entities did not incur any expenditure on foreign travel during the reporting period.

3.8.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.246.91 million as FIF, which was 23 per cent of the annual target of Kshs.1.06 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023, as well as the Homa Bay County Facility Improvement Fund Act, 2023, which allowed the County's health facilities to collect and retain revenue paid as user fees to defray operational, management, and capital costs.

The expenditure by the health facilities amounted to Kshs.197.08 million, as shown in Table 3.92.

Table 3.92: Homa Bay County Health Facilities FIF Performance in FY 2025/26

Nº.	Health facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1	Level 5 Hospital	1	274,000,000	37,758,744.00	14
2	Level 4 Hospitals	23	757,000,000	130,868,152.83	17
3	Level 2 and Level 3 Health facilities	207	19,906,505	28,453,998.00	143
	Total		**1,064,906,565**	**197,080,894.83**	**19**

Source: *Homa Bay County Treasury*

3.8.15 Development Expenditure

In the review period, the County reported spending Kshs.102.34 million on development programmes, compared to FY 2024/25, when the County did not incur any expenditure on development activities. Table 3.93 summarises the development projects with the highest expenditure in the reporting period.

Table 3.93: Homa Bay County, List of Development Projects with the Highest Expenditure

No	Sector	Project Name	Project Location	Budget allocation (Kshs)	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Implementation status (%)
	Donor Funded Projects						
1	Lands, Physical Planning, Housing and Urban Development	Kenya Informal Settlements Improvement Programme (KISIP) II	All Sub Counties	68,000,000	68,000,000	68,000,000	100
2	Department of Water, Sanitation, Irrigation, Environment, Energy and Climate Change	Financing Locally-Led Climate Actions Programme -CCRI&CCRIG) IDA &KFW	All Sub Counties	34,340,021	34,340,021	34,340,021	100

Source*: Homa Bay County Treasury*

3.8.16 Budget Performance by Department

Table 3.94 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.94: Homa Bay County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Million		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Department of Finance and Economic Planning	565.42	261.23	37.84	-	37.84	-	100.0	-	6.7	-
County Public Service Board	69.83	-	6.74	-	6.74	-	100.0	-	9.7	-
County Assembly Service Board	1,032.73	143.34	76.69	-	75.04	-	97.8	-	7.3	-
Homa Bay Municipal Board	29.92	49.13	2.00	-	2.00	-	100.0	-	6.7	-
Office of the Deputy Governor and Department of Agriculture and Livestock	234.74	253.96	21.06	-	21.06	-	100.0	-	9.0	-
County Department of Gender Equality and Inclusivity, Youth, Sports, Talent Development, Cultural Heritage and Social Services	124.55	56.52	7.50	-	7.50	-	100.0	-	6.0	-

Department	Budget Allocation (Kshs.Million		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Department of Roads, Public Works, Transport and Infrastructure	158.24	699.47	11.50	-	11.50	-	100.0	-	7.3	-
County Department of Blue Economy, Fisheries, Mining and Digital Economy	124.40	47.20	9.50	-	9.50	-	100.0	-	7.6	-
County Department of Education, Human Capital Development and Vocational Training	1,237.07	305.46	92.00	-	92.00	-	100.0	-	7.4	-
County Department of Public Health and Medical Services	2,897.69	432.50	332.74	-	332.74	-	100.0	-	11.5	-
County Department of Lands, Physical Planning, Housing and Urban Development	82.76	575.34	7.43	68.00	7.43	68	100.0	100.0	9.0	11.8
County Department of Trade, Industry, Tourism, Cooperative Development and Marketing	191.06	132.82	17.79	-	17.79	-	100.0	-	9.3	-
County Department of Water, Sanitation, Irrigation, Environment, Energy and Climate Change	245.65	462.43	14.90	34.34	14.90	34	100.0	100.0	6.1	7.4
County Department of Governance, Administration, Communication and Devolution	479.89	405.50	30.65	-	30.65	-	100.0	-	6.4	-
Executive Office of the Governor	538.41	221.25	28.06	-	28.06	-	100.0	-	5.2	-
Kendu Bay Municipal Board	9.92	15.00	0.35	-	0.35	-	100.0	-	3.5	-
Mbita Municipal Board	9.92	15.00	0.35	-	0.35	-	100.0	-	3.5	-
Ndhiwa Municipal Board	9.92	15.00	0.35	-	0.35	-	100.0	-	3.5	-
Oyugis Municipal Board	12.90	39.00	0.60	-	0.60	-	100.0	-	4.6	-
Total	**8,055.03**	**4,130.15**	698.06	102.34	696.41	102	99.8	100.0	8.6	2.5

Source: *Homa Bay County Treasury*

Analysis of expenditure by departments shows that the County Department of Lands, Physical Planning, Housing and Urban Development recorded the highest absorption rate of its development budget at 12 per cent, followed by the County Department of Water, Sanitation, Irrigation, Environment, Energy and Climate Change at 7 per cent. The County Department of Public Health and Medical Services had the highest percentage of recurrent expenditure to its budget at 12 per cent, while Kendu Bay Municipal Board, Ndhiwa Municipal Board, and Oyugis Bay Municipal Board each had the lowest at 3.5 per cent.

3.8.17 Budget Execution by Programmes and Sub-Programmes

The sub-programmes with the highest levels of budget implementation based on absorption rates were Report writing services in the County Assembly Service Board at 57.1 per cent; Administrative Support Services in the Department of Trade, Industry, Tourism, Cooperative Development and Marketing at 17.1 per cent; Settlements Upgrading Services in the Department of Lands, Housing, Urban Development and Physical Planning at 13.3 per cent and Administrative Support Services in the Department of Education, Human Capital Development and Vocational Training at 13.2 per cent.

3.8.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Executive operated 274 in commercial banks, including 207 accounts for Level two and three Health Facilities; 24 accounts for Level four and level 5 Health Facilities, 35 accounts for Vocational Training Centres, 5 accounts for Established Funds and FIF, 2 salary processing accounts and 1 revenue account. On the other hand, the County Assembly operated 4 commercial bank accounts.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening the commercial bank accounts as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.8.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

(i) A high wage bill accounted for 30 per cent of the County's total revenue amounting to Kshs.2.06 billion, realised in the first quarter of FY 2025/26, which is above the ceiling provided in law.

(ii) The underperformance of own-source revenue at Kshs.332.23 million against an annual target of Kshs.1.63 billion, representing 20 per cent of the financial year target

(iii) High level of pending bills which amounted to Kshs.1.81 billion as of 30 September, 2025.

(iv) Low development performance in the review period as the County incurred Kshs.102.34 million on development activities, achieving a 2 per cent absorption rate

(v) The Fund Administrator of the Homa Bay County Assembly Car Loan and Mortgage Scheme Fund failed to submit quarterly financial and non-financial reports to the COB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012.

(vi) The County government uses commercial bank accounts for operations contrary to Regulations 82(1)(b) of the PFM (County Governments) Regulations, 2015, which requires that County government bank accounts must be opened and maintained at the Central Bank of Kenya. The commercial bank accounts are for County-established funds, salary processing and operations.

(vii) Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County Public Service Board should establish an optimal staffing structure to ensure expenditure on personnel emoluments complies with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*

iii. *The County Leadership should address the situation of pending bills to ensure that genuine bills are paid promptly within the financial year. Further, compliance with the Pending Bills Action Plan should be enforced.*
iv. *The County should implement strategies to increase development expenditures in FY 2025/26.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
vi. *The County Government should ensure that bank accounts are opened and operated at the Central Bank of Kenya as required by the law. However, imprest bank accounts for petty cash and own-source revenue collection accounts are exempted.*
vii. *The County Treasury should ensure it submits copies of authorisation letters to OCOB for opening commercial bank accounts to enhance accountability and oversight.*

3.9. County Government of Isiolo

3.9.1 Overview of FY 2025/26 Budget

The Isiolo County Vote on Account for FY 2025/26 is Kshs.3.40 billion. It comprises Kshs.1.24 billion (37 per cent) and Kshs.2.16 billion (63 per cent) allocation for development and recurrent programmes, respectively. The budget estimates are 50 per cent of the FY 2024/25 budget, which comprised a development budget of Kshs.2.48 billion and a recurrent budget of Kshs.4.32 billion. The Vote On Account is due to the ongoing FY 2025/26 budget stalemate.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.5.63 billion (76 per cent), additional allocations of Kshs.1.01 billion (14 per cent), a cash balance of Kshs.450.12 million (6 per cent) brought forward from FY 2024/25, and Kshs.375.21 million (5 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.95.

3.9.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.38 billion in revenue. This amount represented a 49 per cent increase compared to the amount received in a similar period in FY 2024/25, amounting to Kshs.926.27 million. The total revenue consisted of Kshs.869.00 million from the equitable share of revenue raised nationally, own-source revenue (OSR) collection of Kshs.62.71 million. Additionally, the County had a cash balance of Kshs.449.48 million from FY 2024/25. The total OSR collection of Kshs.62.71 million included Facilities Improvement Financing (FIF) of Kshs.13.51 million, and Kshs.49.20 million from other OSR sources. Table 3.95 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.95: Isiolo County, Revenue Performance in FY 2025/26

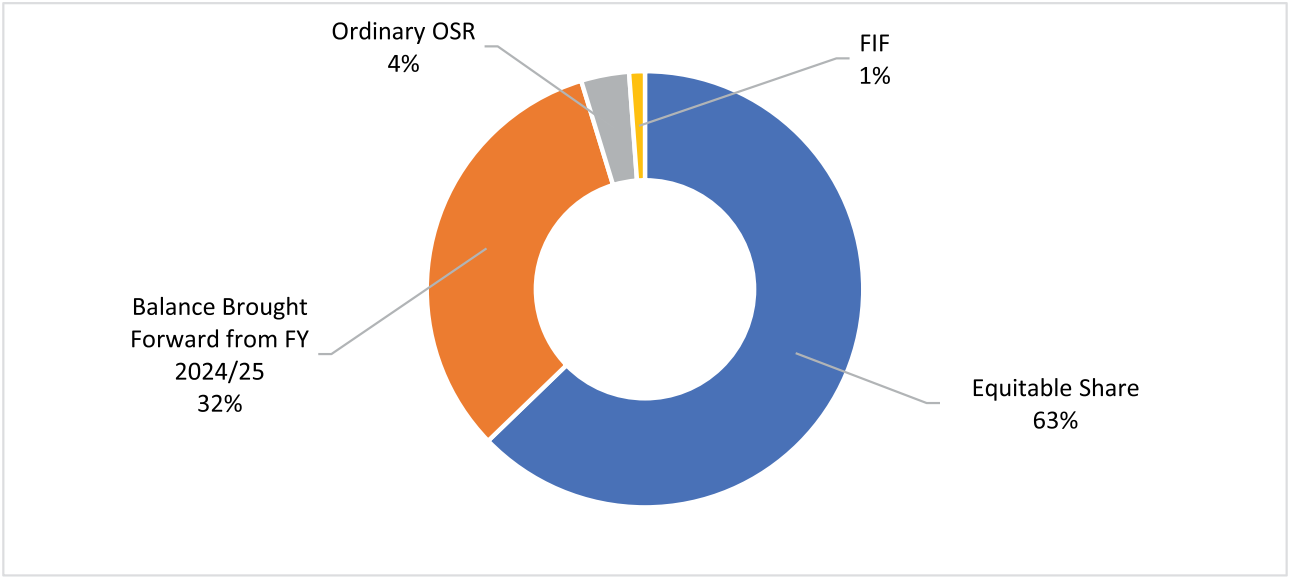
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	5,631,537,298	869,006,670	15
Subtotal		**5,631,537,298**	**869,006,670**	**15**
B	**Equalisation Fund Disbursement**	0	0	0
Subtotal		**0**	**0**	**0**
C	**Additional Allocations**			
1	Kenya Devolution Support Program II (KDSP II) Level 1 Grant	390,000,000	0	0
2	Food Systems Resilience Project (FSRP)	246,153,846	0	0
3	Financing Locally Led Climate Action (FLLoCA)	136,000,000	0	0
4	Supplement for construction of County HQ	115,350,161	0	0
5	Kenya Urban Support Program (KUSP)-UDG	63,661,198	0	0
6	Kenya Urban Support Program (KUSP)-UIG	35,000,000	0	0
7	Community Health Promoters (CHPs) Programme	21,630,000	0	0

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
8	Current Grants from Foreign Governments: DANIDA	5,226,000	0	0
Subtotal		**1,013,021,205**	**0**	**0**
D	**Ordinary Own Source Revenue (OSR)**			
1	Game entrance/Royalties	150,901,973	42,015,003	28
2	Sand Cess	14,200,000	1,493,000	11
3	Miraa export/cess	12,218,156	1,262,000	10
4	Land Rents	20,271,075	1,193,783	6
5	S.B.P fees	14,756,872	1,093,935	7
6	Street parking fees	5,480,000	648,122	12
7	Livestock Auction Cess	5,188,993	441,720	9
8	Market Stalks/Fee and Produce	3,432,446	225,193	7
9	Other Ordinary OSR	23,638,665	826,816	3
Subtotal		**250,088,180**	**49,199,572**	**20**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	59,000,000.00	13,508,256.00	23
2	Cash	24,000,000.00	2,600,968.00	11
3	Compassion	2,000,000.00	64,459.00	3
Subtotal		**85,000,000.00**	**16,173,683.00**	**19**
F	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	449,482,136	449,482,136	100
2	County Executive Refunds to CRF	355,303	355,303	100
3	County Assembly Refunds to CRF	283,235	283,235	100
Subtotal		**450,120,674**	**450,120,674**	**100**
Grand Total		**7,429,767,357**	**1,384,500,599**	**19**

Source: Isiolo County Treasury

The County does not have governing legislation on the operation of ordinary A-I-A and FIF. Figure 46 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

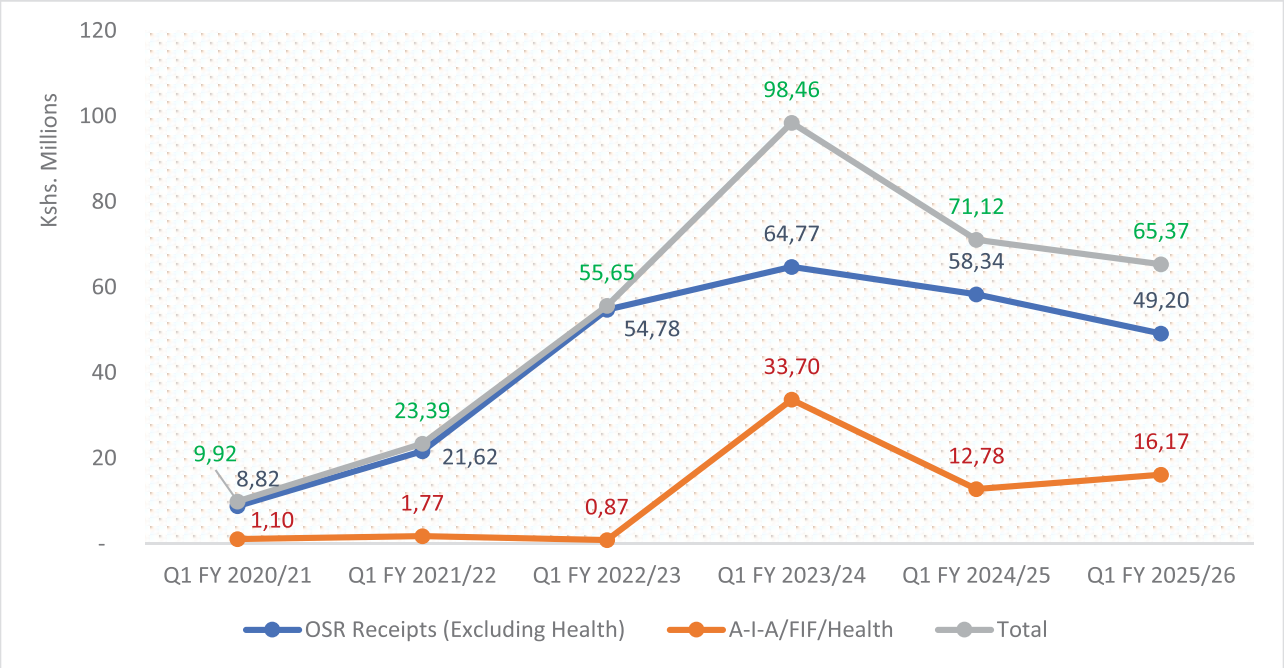
Figure 46: Isiolo County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Isiolo County Treasury*

The equitable share of revenue raised nationally and OSR contributed 63 and 3 per cent respectively of the total receipts for the reporting period. Figure 47 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 47: Isiolo County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

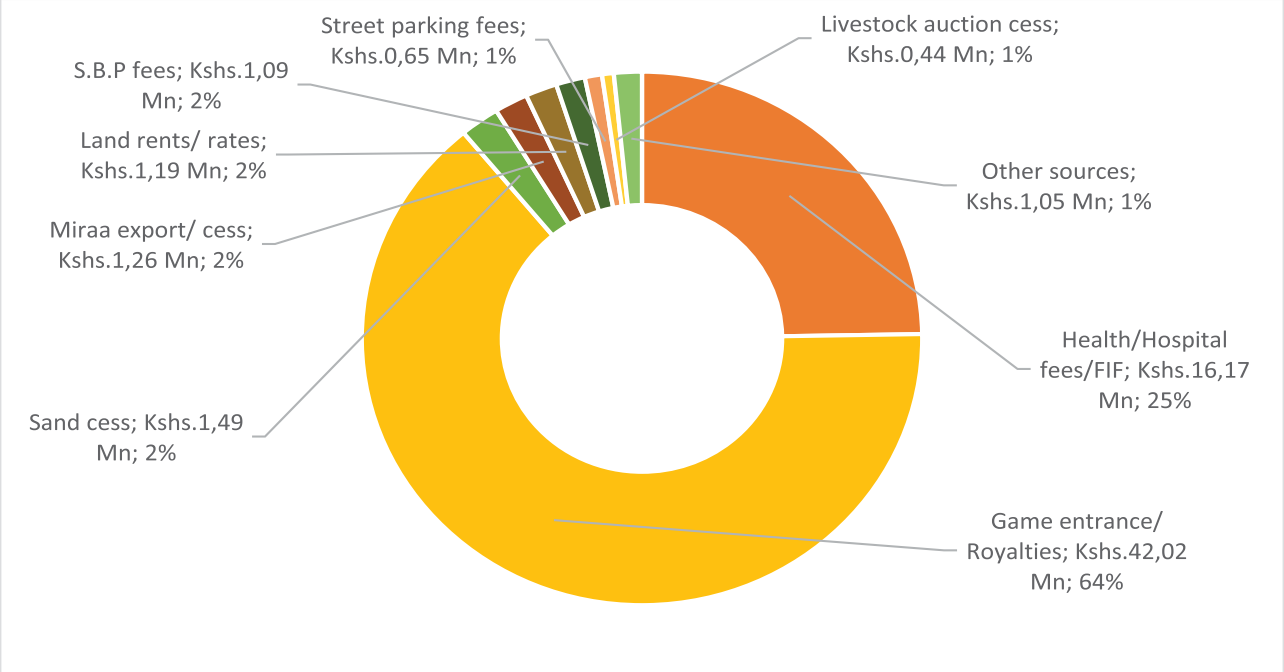


Source: Isiolo County Treasury

During the First Quarter of FY 2025/26, the County received Kshs.65.37 million from its revenue sources, including FIF. This amount was a decrease of 8 per cent compared to Kshs.71.12 million realised in a similar period in FY 2024/25, and was 17 per cent of the annual target and 8 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR receipts are shown in Figure 48.

Figure 48: Isiolo County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



***Source:** Isiolo County Treasury*

As shown in Figure 48, the highest revenue stream, at Kshs.42.02 million, was from Game entrance/Royalties, accounting for 64 per cent of the total OSR receipts. The County Government indicated that it has automated 2 revenue streams out of 24.

3.9.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.210.83 million, this amount remained the same as of 30th September 2025. Table 3.96 presents a breakdown of the County's revenue arrears.

Table 3.96: Isiolo County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			OSR Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears paid in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
D	Ordinary Own Sources of Revenue					
1	Land rent/ rates	210,834,650	0	0	0	210,834,650
Total		210,834,650	0	0	0	210,834,650

Source: *Isiolo County Treasury*

As of 30 September 2025, the revenue arrears totalled Kshs.210.83 million, all for Land rent/ rates. The County is yet to share the measures it will institute to collect the outstanding arrears in FY 2025/26.

3.9.4 Borrowing by the County

The County government did not report any borrowing in the period under review.

3.9.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.823.77 million from the CRF account during the reporting period, all on recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.592.68 million was towards employee compensation and Kshs.40 million for operations and maintenance expenditure.

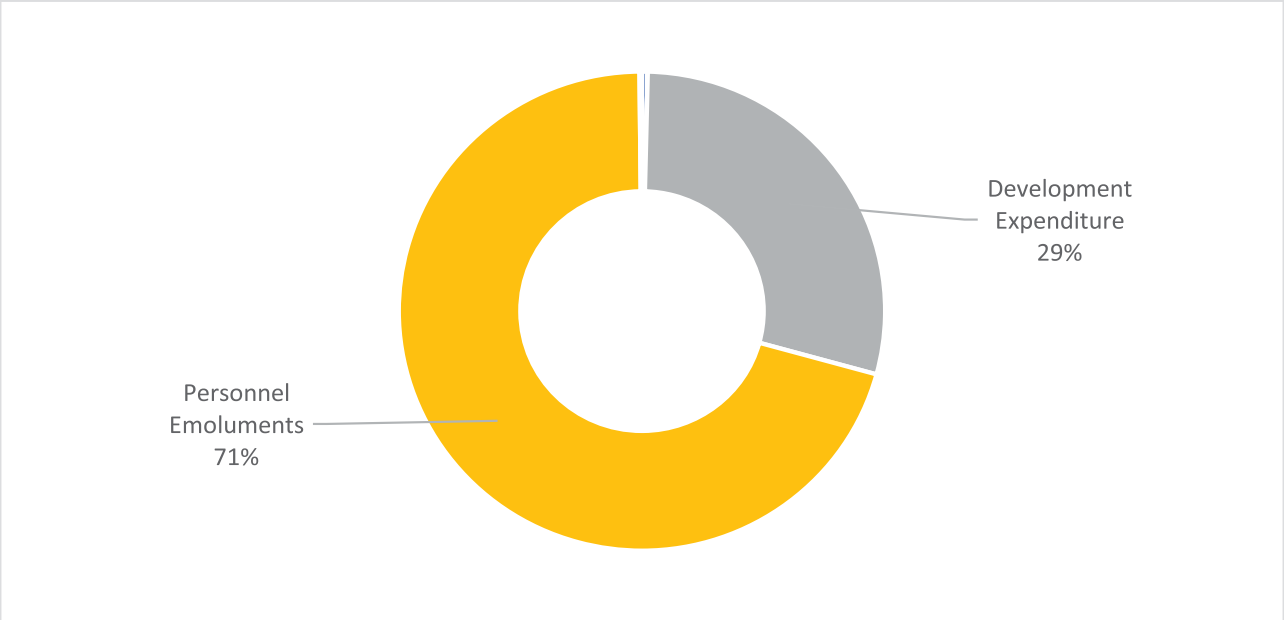
The operations and maintenance exchequer analysis indicate that 2 per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.14.2 million all for the County Assembly. As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.593.37 million.

3.9.6 Expenditure Review

The County spent Kshs.718.07 million on development and recurrent programmes in the reporting period. The expenditure represented 87 per cent of the total funds released by the CoB. It comprised Kshs.191.09 million for development programmes and Kshs.526.98 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 15 per cent, while recurrent expenditure represented 24 per cent of the annual recurrent expenditure Vote-On-Account budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 49: Isiolo County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Isiolo County Treasury*

As shown in Figure 49, the two highest expenditure categories were Personnel Emoluments and Development Expenditure contributing 71 and 29 per cent of total expenditure for the reporting period.

3.9.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.49 billion. This amount included Kshs.1.48 billion from the County Executive and Kshs.13.91 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.28 billion for recurrent expenditures and Kshs.199.94 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.377.19 million, comprising Kshs.191.09 million development and Kshs.186.10 million for recurrent programmes. On the other hand, the County Assembly did not settle any trade payables in the reporting period. The outstanding trade payables as of 30th September 2025 was Kshs.1.10 billion for County Executive and Kshs.13.91 million for County Assembly. Table 3.97 provides additional details of trade payables.

Table 3.97: Isiolo County Trade Payables as of 30th September 2025

	Trade Payables as of 1 July 2025 (Kshs.)	Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding trade payables as of 30 September 2025 (Kshs.)
	A	B	C	D=A-C
County Executive				
Recurrent	1,279,258,143	88,238,000	186,101,937	1,093,156,206
Development	199,937,165	191,088,920	191,088,920	8,848,245
Total	**1,479,195,308**	**279,326,920**	**377,190,857**	**1,102,004,451**
County Assembly				
Recurrent	5,812,806	0	0	5,812,806
Development	8,094,676	0	0	8,094,676
Total	**13,907,482**	**0**	**0**	**13,907,482**

Source*: *Isiolo County Treasury

The County Executive submitted a trade payables payment plan, committing to pay Kshs.916.45 million in FY 2025/26. The County Assembly is yet to share their trade payables payment plan. The County Executive did not adhere to this payment plan, as it cleared Kshs.377.19 million.

Table 3.98 and Table 3.99 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.10 billion and Kshs.13.91 million respectively.

Table 3.98: Isiolo County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**76,870,710**	**62,155,258**	**47,522,802**	**13,388,395**	**199,937,165**
Recurrent Trade Payables (Goods & Services)	315,152,813	290,818,607	274,985,500	23,897,636	**904,854,556**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)					**0**
Recurrent Trade Payables (Staff Claims)	0	0	0	0	**0**
Total Recurrent Trade Payables	315,152,813	290,818,607	274,985,500	23,897,636	904,854,556
Total Trade Payables	**392,023,523**	**352,973,865**	**322,508,302**	**37,286,031**	**1,104,791,721**
% of Total	**35.5%**	**31.9%**	**29.2%**	**3.4%**	**100.0%**

Source*: *Isiolo County Treasury

Table 3.98 shows that 33 per cent of the Executive's payables and older than two years. We recommend that the County use FIFO as it settles its existing payables.

Table 3.99: Isiolo County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills	-	-	-	8,094,676	**8,094,676**
Recurrent Pending Bills (Goods & Services)				5,812,806	**5,812,806**
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)					-
Recurrent Pending Bills (Staff Claims)					-
Total Recurrent Pending Bills	-	-	-	5,812,805	**5,812,805**
Total Pending Bills	-	-	-	**13,907,481**	**13,907,481**
% of Total	**0%**	**0%**	**0%**	**100%**	**100%**

Source*: *Isiolo County Treasury

Table 3.99 shows that 100 per cent of the Executive's payables and older than two years. We recommend that the County use FIFO as it settles its existing payables.

3.9.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.411.47 million for compensation of employees, Kshs.18.23 million for operations and maintenance, and Kshs.191.09 million for development activities, while the County Assembly incurred Kshs.55.58 million for compensation of employees and Kshs.41.70 million for operations and maintenance, as shown in Table 3.100.

Table 3.100: Isiolo County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Vote On Account Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**1,908,910,964**	**249,925,736**	**429,702,957**	**97,281,096**	**23**	**39**
Compensation of Employees	1,114,186,856	165,358,646	411,472,357	55,580,191	37	34
Operations and Maintenance	794,724,109	84,567,090	18,230,600	41,700,905	2	49
Development Expenditure	**1,208,865,653**	**35,000,000**	**191,088,920**	-	**16**	**0**
Total	**3,117,776,617**	**284,925,736**	**620,791,877**	**97,281,096**	**20**	**34**

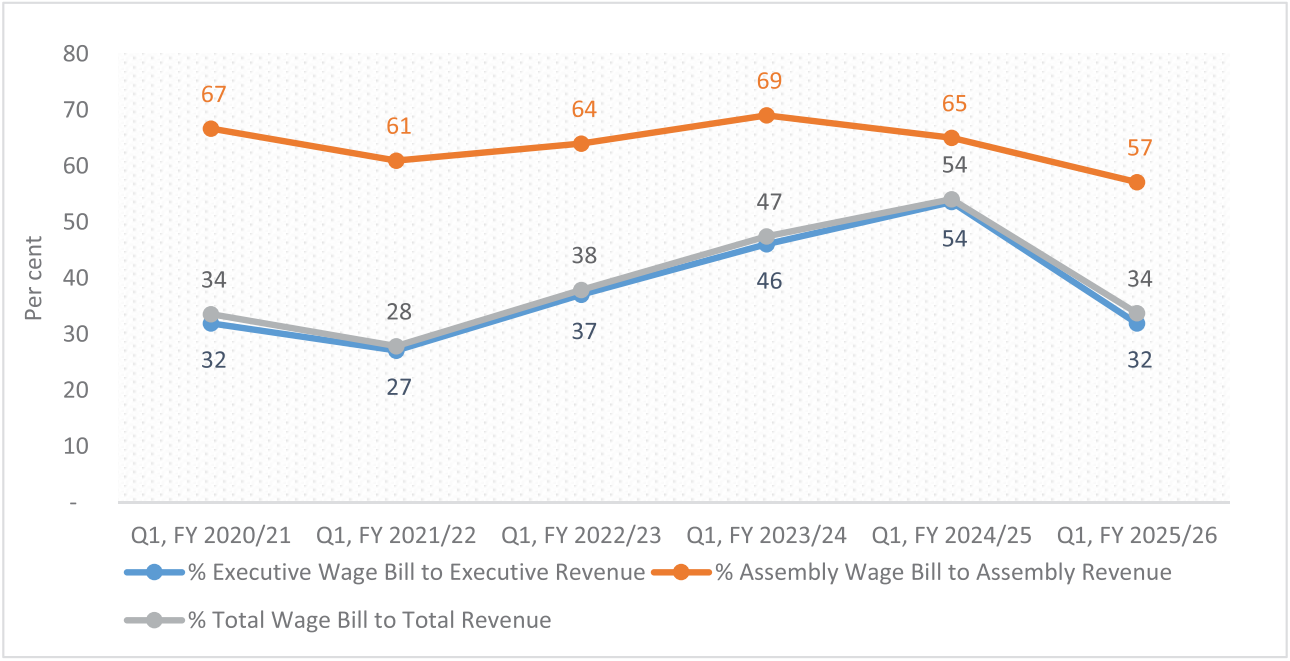
Source: Isiolo County Treasury

3.9.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.467.05 million. The percentage of compensation of employees to revenue was 34 per cent. This expenditure on employee compensation shows a decrease of 17 per cent compared to the Kshs.538.90 million reported in a similar period in FY 2024/25. Of this total, Kshs.355.70 million related to the Health Sector employees, which accounted for 76.2 per cent of the overall employees' compensation.

Figure 50 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 50: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Isiolo County Treasury

As illustrated in Figure 50, the County Assembly allocated 57 per cent of its revenue to employee compensation in the first quarter of FY 2025/26, while the Executive allocated 32 per cent. The delay in finalising the budget process left the County with minimal time for budget implementation in the first quarter of FY 2025/26, resulting in a significant balance in the County Revenue Fund.

Further analysis revealed that all personnel costs incurred by the County Executive, totalling Kshs.582.21 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.6.84 million, representing 1 per cent of total personnel expenditure, was processed through a manual payroll system. This amount differs from the Kshs.467.05 million detailed in the itemised expenditure report provided by the Coun-

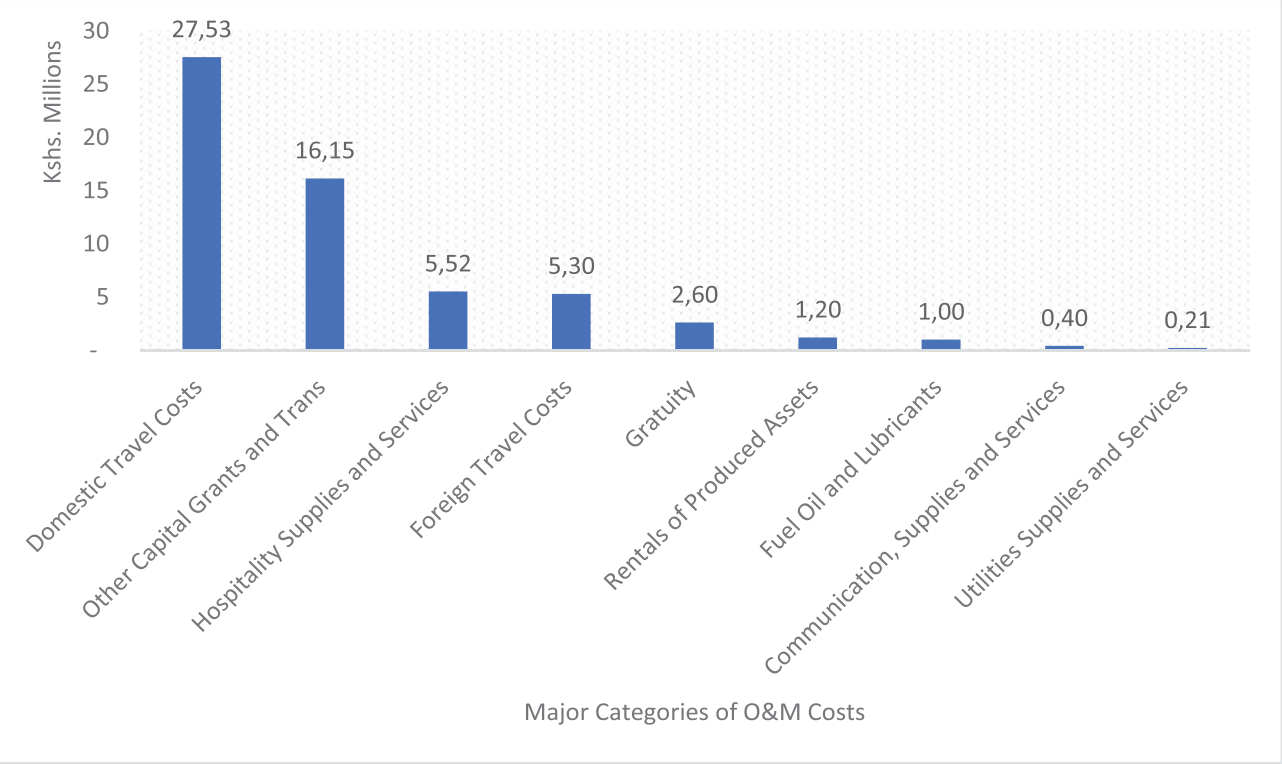
ty Treasury. The County Treasury should reconcile these records to ensure consistent reporting of similar items.

Additionally, the County Assembly spent Kshs.2.51 million on committee sitting allowances for the 18 Members of the County Assembly (MCAs), compared to an annual budget allocation of Kshs.5.25 million. This results in an average monthly sitting allowance of Kshs.46,478 per MCA. The County Assembly has 11 House Committees.

3.9.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.59.93 million on operations and maintenance, representing an increase of 40 per cent compared to FY 2024/25, when the County spent Kshs.42.88 million. Figure 51 summarises the Operations and Maintenance expenditure by major categories.

Figure 51: Isiolo County, Operations and Maintenance Expenditure by Major Categories



Source: *Isiolo County Treasury*

3.9.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.92.53 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Further, the County allocated Kshs.55 million to the Emergency Fund (2 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.101 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.101: Performance of Isiolo County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Vote on Account FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1	Emergency fund	2021	55,000,000	0	0	541,418,164	Yes
2	Bursary Fund	2015	35,000,000	0	0	380,000,000	Yes
		County Assembly Established Funds					
1	County Assembly Mortgage and Car Loan Fund	2018	2,530,000		0	64,500,000	No
	Total		**92,530,000**	**0**	**0**	**985,918,164**	

Source: ***Isiolo County Treasury***

During the reporting period, the CoB did not receive quarterly financial reports from the Isiolo County Assembly Mortgage and Car Loan Fund Administrators, as indicated in Table 3.101, contrary to the requirement of Section 168 of the PFM Act, 2012.

3.9.12 County Corporations

The County has two Corporations that received no funds from the main budget for FY 2025/26, and there were no reported expenditures by these corporations during the review period.

Table 3.102: Performance of Isiolo County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Isiolo Water and Sewerage Company	-	-	-	-
2	Ewaso Ng'iro North Development Authority	-	-	-	-
	Total				

Source: ***Isiolo County Treasury***

3.9.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.27.53 million and comprised Kshs.26.46 million spent by the County Assembly and Kshs.1.07 million by the County Executive. Expenditure on foreign travel amounted to Kshs.5.30 million all by the County Assembly. Breakdown on foreign travel was not yet provided by the time of publishing this report.

The County did not report any expenditures on garbage collection, as well as legal fees, dues, arbitration, and compensation payments, during the review period.

3.9.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.16.17 million as FIF, which was 19 per cent of the annual target of Kshs.85 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has, however, not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.16.78 million, as shown in Table 3.103.

Table 3.103: Isiolo County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital (Isiolo County Referral Hospital)	1	17,076,048.00	16,780,153.40	98
	Total		17,076,048.00	16,780,153.40	98%

Source: *Isiolo County Treasury*

The County did not provide report for its other County health facilities during the review period

3.9.15 Development Expenditure

In the review period, the County reported spending Kshs.191.08 million on development programmes, representing an increase of 1544 per cent compared to FY 2024/25, when the County spent Kshs.11.63 million. Table 3.104 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to the settlement of trade payables.

Table 3.104: Isiolo County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1	Agriculture & Irrigation, Livestock & Veterinary Services & Fisheries Development	Completion of Isiolo abattoir External works	Burat	30-06-2026	864,179,546	108,000,000	794,944,646	92
2	County Assembly	Debating Chamber and Offices	Isiolo Town		314,000,000	0	164,595,259	52
3	Lands & Physical Planning, Housing & Urban Planning and Roads & Infrastructure	County Spatial Plan	Wabera, Bullapesa, Burat, Oldonyiro, Ngaremara, Chari, Cherab, Garbatulla, Kinna, Sericho	30-12-2025	98,470,400	40,000,000	29,679,680	80

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
4	Finance, Economic Planning, Special Programs, Revenue and Cohesion	Construction of Sand Revenue Access Points/Roads	Ngaremara, Oldonyiro, Burat & Garbatulla	30-06-2026	30,000,000	0	0	0
		Revenue Automation	All wards	30-06-2026	20,000,000	0	0	0
		Provision for Accrued Trade Payables' Clearing Plan	Headquarters	30-06-2026	422,000,000	0	0	0
		Preparation of County Development plans- ADP, CIDP III Review CSA, Statistics Policy, M&E Policy and 3 Sectoral plans	All Sectors in the County	30-06-2026	20,965,714	0	0	30
		Purchase of Fieldwork project Motor Vehicles (Monitoring, Evaluation & Internal Auditing)	Headquarters	30-06-2026	10,000,000	0	0	0
		Isiolo County Emergency Fund Act Implementation Programme	Wabera, Bullapesa, Burat, Oldonyiro, Ngaremara, Chari, Cherab, Garbatulla, Kinna, Sericho	30-06-2026	110,000,000	0	0	0
5	Lands & Physical Planning, Housing & Urban Planning and Roads & Infrastructure	Upgrading of town road to Bitumen standard	Bulapesa	30-06-2026	90,000,000	0	0	0
	Donor Funded Projects							
6	Agriculture & Irrigation, Livestock & Veterinary Services & Fisheries Development	Food Systems Resilience Project (FSRP)	Wabera, Bullapesa, Burat, Oldonyiro, Ngaremara, Chari, Cherab, Garbatulla, Kinna, Sericho	30-06-2026	251,153,846	0	0	0
7	Water, Energy, Environment, and Natural Resources	Financing Locally Led Climate Action (FLLoCA)- Nat. Govt. (climate change resilient project	Wabera, Bullapesa, Burat, Oldonyiro, Ngaremara, Chari, Cherab, Garbatulla, Kinna, Sericho	30-06-2026	136,000,000	0	0	0
8	Tourism and Wildlife, Trade Cooperative and Enterprise Development	Kenya Devolution Support Programme-KDSP II	All wards	30-06-2026	353,000,000	0	0	0

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
9	Health Services	Current Capital Grants (Danida)	All health facilities	30-06-2026	5,226,000	0	0	0
10	Municipal Administration	Kenya Urban Support Program (KUSP)-UDG-	Wabera	30-06-2026	63,661,198	0	0	0
11	Agriculture & Irrigation, Livestock & Veterinary Services & Fisheries Development	Food Systems Resilience Project (FSRP)	Wabera, Bullapesa, Burat, Oldonyiro, Ngaremara, Chari, Cherab, Garbatulla, Kinna, Sericho	30-06-2026	251,153,846	0	0	0
12	Water, Energy, Environment, and Natural Resources	Financing Locally Led Climate Action(FLLoCA)- Nat. Govt. (climate change resielient project	Wabera, Bullapesa, Burat, Oldonyiro, Ngaremara, Chari, Cherab, Garbatulla, Kinna, Sericho	30-06-2026	136,000,000	0	0	0
13	Tourism and Wildlife, Trade Cooperative and Enterprise Development	Kenya Devolution Support Programme-KDSP II	All wards	30-06-2026	353,000,000	0	0	0
14	Public Health	Current Capital Grants (Danida)	All health facilities	30-06-2026	5,226,000	0	0	0
15	Municipality	Kenya Urban Support Program (KUSP)-UDG-	Wabera	30-06-2026	63,661,198	0	0	0
	Equalisation Fund Projects							
16	Water, Energy, Environment, and Natural Resources	Drilling and equipping of Lagaaman borehole	Longopito	31st Jan 2025	7,764,389	7,947,202	7,947,202	100
17	Health Services	Proposed construction of of maternity wing at Lenguruma Dispensary	Lenguruma	30th Jan 2025	7,599,624	7,736,773	7,736,773	100
18	Water, Energy, Environment, and Natural Resources	Drilling and equipping of Malkadaka borehole	Malkadaka	31st Jan 2025	7,384,449	7,586,467	7,586,467	100
		Drilling and equipping of Garbatulla borehole	Garbatulla South	31st Jan 2025	6,628,562	6,898,063	6,898,063	100
		Excavation/construction of Malka Galla water pan	Malka Galla	31st Jan 2025	6,701,610	6,759,781	6,759,781	100
		Drilling and equipping of Gafarsa borehole	Gafarsa	31st Jan 2025	6,608,358	6,652,563	6,652,563	100
		Drilling and equipping of Darer Dabaso Huka borehole	Muchuro	31st Jan 2025	6,087,087	6,248,739	6,248,739	100

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
20	Health Services	Repair and equipping of Eldera Dispensary	Eldera	30th Jan 2025	5,694,730	6,246,735	6,246,735	100
		Proposed construction of Riga Dispensary	Korbesa	30th Jan 2025	6,103,433	6,103,443	6,103,443	100
		Proposed construction of maternity block at Mataarba Dispensary	Mataarba	30th Jan 2025	5,450,579	5,525,265	5,525,265	100

Source: *Isiolo County Treasury*

The County reported eight stalled development projects as of 30 September 2025, with an estimated value of Kshs.1.47 billion, of which Kshs.1.05 billion has already been paid. The stalled projects are shown in Table 3.105.

Table 3.105: Isiolo County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Supplement Construction of County Headquarters	Wabera	556,905,702	328,081,401	228,824,301	59	The County did not receive conditional funds. The County has settled its net balance of Kshs.157,158,905(30%), the national government has paid Ksh 171,050,027 totalling to Ksh 313, 800, 307.96. The remaining balance of Ksh 228,697,169 is for completion of the project.
Construction of the Isiolo market	Wabera	545,211,810	428,946,512	116,265,298	80	The project stalled due to unresolved contract variation issues; a process is underway to engage a new contractor to complete the work.
Construction of the Isiolo stadium	Wabera	345,998,315	273,566,356	72,431,959	67	Implementation stalled following the national government's takeover of the project.
Ward office	Ngaramara	4,999,000	4,399,000	600,000	88	Non budget funding
Ward office	Sericho	4,999,000	3,702,558	1,296,442	74	Non budget funding
Ward office	Oldo-nyiro	4,999,000	3,214,164	1,784,836	64	Non budget funding
Ward office	Burat	4,999,000	3,932,198	1,066,802	78	Non budget funding
Ward office	Wabera	4,999,000	4,139,000	860,000	82	Non budget funding

Source: *Isiolo County Treasury*

3.9.16 Budget Performance by Department

Table 3.106 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.106: Isiolo County, Budget Allocation and Absorption Rate by Department

Department	Vote-On-Account Budget Allocation (Kshs. Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	249.93	35.00	97.28	-	97.28	-	100	-	38.9	-
County Executive Sector	221.98	-	46.32	-	-	-	-	-	-	-
Finance, Economic Planning, Special Programs, Revenue and Cohesion	260.77	345.53	26.07	191.09	1.08	191.09	4.1	100	0.4	55.3
Lands & Physical Planning, Housing & Urban Planning and Roads & Infrastructure	23.39	291.46	5.68	-	-	-	-	-	-	-
Agriculture & Irrigation, Livestock & Veterinary Services and Fisheries Development	83.06	200.41	34.46	-	0.01	-	0	-	0	-
Education, Vocational Youth, Sports, Gender & Social Services	162.45	38.95	47.94	-	-	-	-	-	-	-
Tourism and Wildlife, Trade Cooperative and Enterprise Development	330.10	23.87	111.73	-	55.77	-	49.9	-	16.9	-
Water, Energy, Environment, and Natural Resources	37.60	180.90	12.03	-	-	-	-	-	-	-
Health services	747.09	67.28	247.65	-	355.70	-	143.6	-	47.6	-
Municipal Administration	42.29	60.48	3.53	-	17.15	-	485.6	-	40.5	-
Total	**2,158.66**	**1,243.87**	**632.68**	**191.09**	**429.70**	**191.09**	**67.9**	**100**	**19.9**	**15.4**

***Source**: Isiolo County Treasury*

Analysis of expenditure by departments shows that the Department of Finance, Economic Planning, Special Programs, Revenue and Cohesion recorded the highest absorption rate of development budget at 55.3 per cent, while all other departments did not record any development expenditure in the review period. The Department of Health Services had the highest percentage of recurrent expenditure to budget at 47.6 per cent, followed by the Department of Municipal Administration at 40.5 per cent.

3.9.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Accounting Services in the Department of Finance, Economic Planning, Special Programs, Revenue and Cohesion at 99 per cent. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were the Primary Health Care program in the Department of Medical Services at 94 per cent of the budget allocation. Several sub-programmes reported a zero absorption rate during the review period, including preventive and promotive health services under the Department of Health's Preventive and Promotive Services.

3.9.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 68 accounts with commercial banks, including 45 accounts for Health Facilities, three accounts for Established Funds, four revenue accounts, six special purpose accounts (additional allocations), and ten accounts for operations.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.9.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. Ongoing litigations on the Isiolo County FY 2025/26 approved budget estimates, resulting in relying on Vote-On-Account as a temporary measure for the County government to cater for essential expenses.
ii. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the County Assembly Mortgage and Car Loan Fund, were not submitted to the OCoB as of 15 October 2025.
iii. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 31st October 2025 for the County Executive and 17th Nov 2025 for the County Assembly.
iv. The underperformance of own-source revenue at Kshs.65.37 million against an annual target of Kshs.375.21 million, representing 17.4 per cent of the financial year target.
v. High level of trade payables, which amounted to Kshs.1.10 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vi. The County reported revenue arrears of Kshs.210.83 million on ordinary OSR which is entirely on land rent/rates arrears Kshs.210.83 million. These revenue arrears limited funding for County activities.
vii. The County has stalled projects valued at Kshs.1.47 billion, with Kshs.1.05 billion paid (71 per cent). The stalling of the projects is attributed to varying reasons, including lack of budget allocation.

The County should implement the following recommendations to improve budget execution:

i. *The County Government and the interested parties should fast-track settlement of litigation issues on the County's FY 2025/26 budget estimates.*
ii. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
iii. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
iv. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vi. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*
vii. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is essential to start projects only with secured funding, and to maintain a register of multi-year obligations to align projects with the budget.*

3.10. County Government of Kajiado

3.10.1 Overview of FY 2025/26 Budget

The Kajiado County Approved Budget for FY 2025/26 is Kshs.13.78 billion. It comprises Kshs.4.89 billion (35.5 per cent) and Kshs.8.88 billion (65 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.988.99 million (8 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.84 billion and a recurrent budget of Kshs.8.95 billion. The increase in the budget was primarily attributed to the additional allocation brought forward from the previous financial year.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.8.89 billion (65 per cent), additional allocations of Kshs.3.20 billion (23 per cent), Appropriation in Aid of Kshs.480 million (4 per cent) and Kshs.1.2 billion (9 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.107.

3.10.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.72 billion in revenue. This amount represented an increase of less than 1 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.54 billion. The total revenue consisted of Kshs.1.42 billion from the equitable share of revenue raised nationally, additional allocations from the national government and development partners of Kshs.113.57 million, as well as own-source revenue (OSR) collection of Kshs.179.48 million. Additionally, the County had a cash balance of Kshs.2.62 million from FY 2024/25. The total OSR collection of Kshs.179.48 million included Facilities Improvement Financing (FIF) of Kshs.69.89 million, and Kshs.109.59 million from other OSR sources. Table 3.107 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.107: Kajiado County, Revenue Performance in FY 2025/26

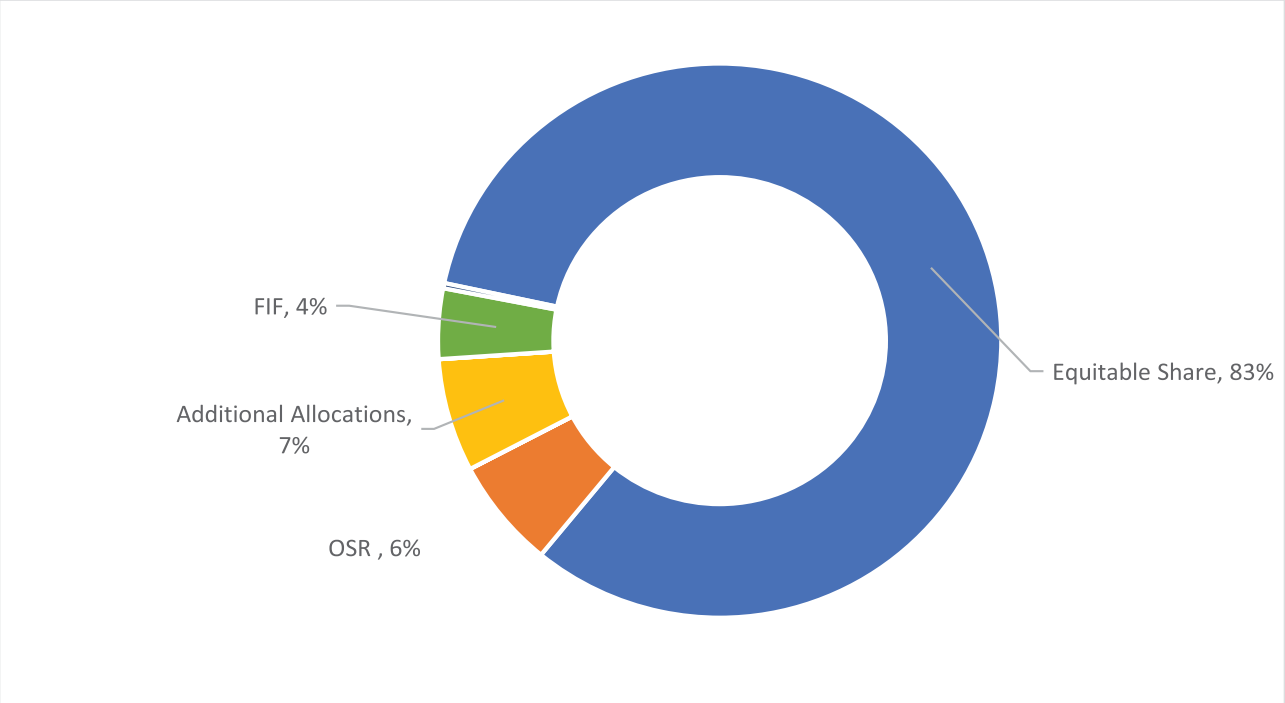
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	8,894,254,886	**1,420,867,318**	**16**
	Subtotal	**8,894,254,886**	**1,420,867,318**	**16**
B	**Equalisation Fund Disbursement**	**0.00**	**0.0**	**0**
	Subtotal			
C	**Additional Allocations**			
1	County Aggregated Industrial Park	250,000,000	-	-
2	Danida (Capital grants from Foreign Grants)	14,616,000	9,896,250	68
3	Danida-Level 1grants	6,242,250	-	-
4	Doctors' Salary Arrears	86,990,236	-	-
5	Primary Health Care	10,353,000	-	-
6	Kenya Urban Support Programme-UIG	61,500,000	-	-
7	Kenya Urban Support Programme- UDG	455,603,724	-	-
8	Kenya Informal Settlement Improvement Project	220,626,011	90,000,000	41
9	IDA-National Agricultural Value Chain Development	382,765,152	-	-
10	Aquaculture Business Development Project	19,115,642	-	-
11	Kenya Agricultural Business Development Project	21,837,838	-	-
12	Kenya Agricultural Business Development Project-National Government	1,000,000	-	-
13	Financing of Locally Led Climate Action	275,022,912	13,671,000	5
14	Mineral Royalties	660,242,992	-	-
15	Second Kenya Devolution Support Project Level 1	75,000,000	-	-
16	Second Kenya Devolution Support Project Level 2	352,500,000	-	-
17	Road Maintenance Levy Funds	307,376,319	-	-

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
Subtotal		**3,201,214,384**	**113,567,250**	**0**
D	**Ordinary Own Source Revenue (OSR)**			
1	Agricultural Produce	38,764,158.00	5,182,345.00	13
2	Ballast Cess	51,180,556.00	5,651,500.00	11
3	Barter Market	21,730,658.00	5,638,620.00	26
4	Bed Occupancy	73,204,528.00	7,919,906.00	11
5	Building Plan Approval	219,866,002.00	22,944,649.00	10
6	Bus park fee	30,240,000.00	6,331,566.00	21
7	Quarry and Mineral extraction	58,277,232.00	5,381,200.00	9
8	Impounding Fee	1,039,995.00	-	-
9	Land Rates	167,635,457.00	4,571,680.00	3
10	Liqour Licenses	40,000,000.00	-	-
11	Livestock Cess	14,505,050.00	4,117,410.00	28
12	Market Stall	3,020,000.00	478,000.00	16
13	Parking fee	23,128,814.00	4,936,000.00	21
14	Plot rent	52,001,242.00	5,371,674.00	10
15	Trade Licenses	233,443,701.00	7,261,720.00	3
16	Sand Fees	90,000,000.00	11,490,000.00	13
17	Sign Post Fee & Advert fee	68,927,756.00	3,060,090.00	4
18	slaughter Fee	17,500,650.00	2,044,475.00	12
19	Transit Fee	35,534,201.00	7,211,200.00	20
Subtotal		**1,240,000,000**	**109,592,035**	**9**
E	**Facility Improvement Fund (FIF)**			
1	Public Health Fees and Charges	70,000,000	7,638,469	11
2	HIF-Hospitals	370,000,000	62,253,067	17
Subtotal		**440,000,000**	**69,891,536**	**16**
F	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	-	-	-
2	County Executive Refunds to CRF	-	265,757.85	-
3	County Assembly Refunds to CRF	-	2,354,972.55	-
Subtotal		-	**2,620,730.40**	-
Grand Total		**13,775,469,270**	**1,716,538,869.40**	**13**

Source: *Kajiado County Treasury*

The County has a governing legislation on the operation of ordinary A-I-A and FIF. Figure 52 provides a detailed breakdown of revenue, showing the amount received for each shilling.

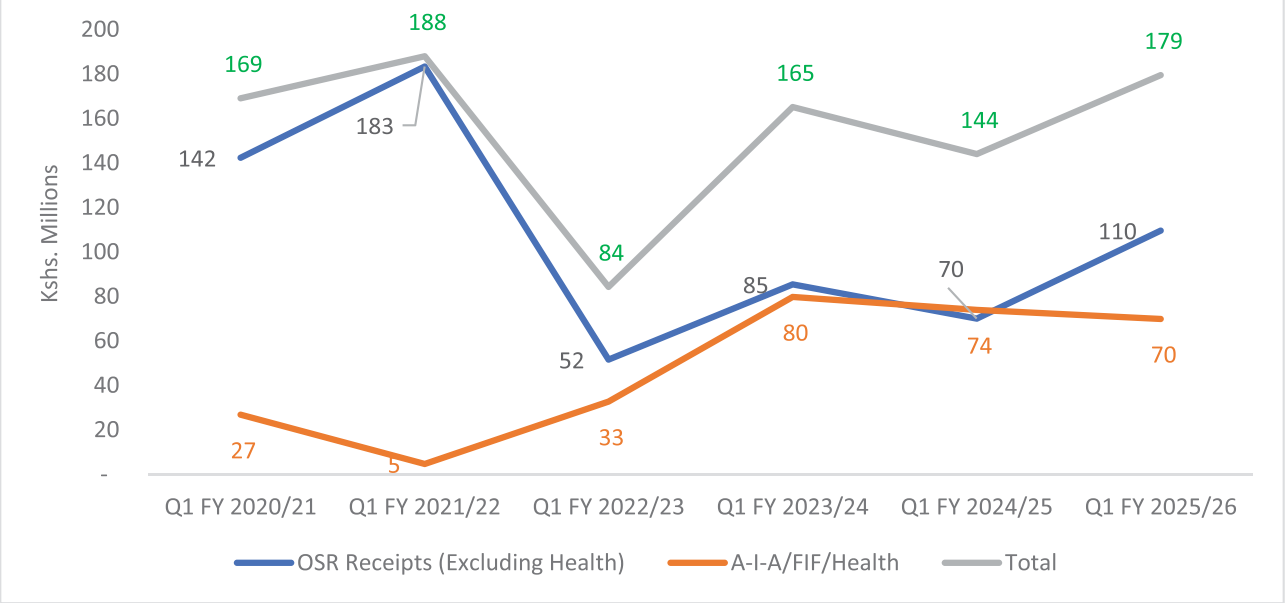
Figure 52: Kajiado County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kajiado County Treasury*

The equitable share of revenue raised nationally, additional allocations, and OSR contributed 83 per cent, 7 per cent, and 6 per cent, respectively, to total receipts for the reporting period. Figure 53 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

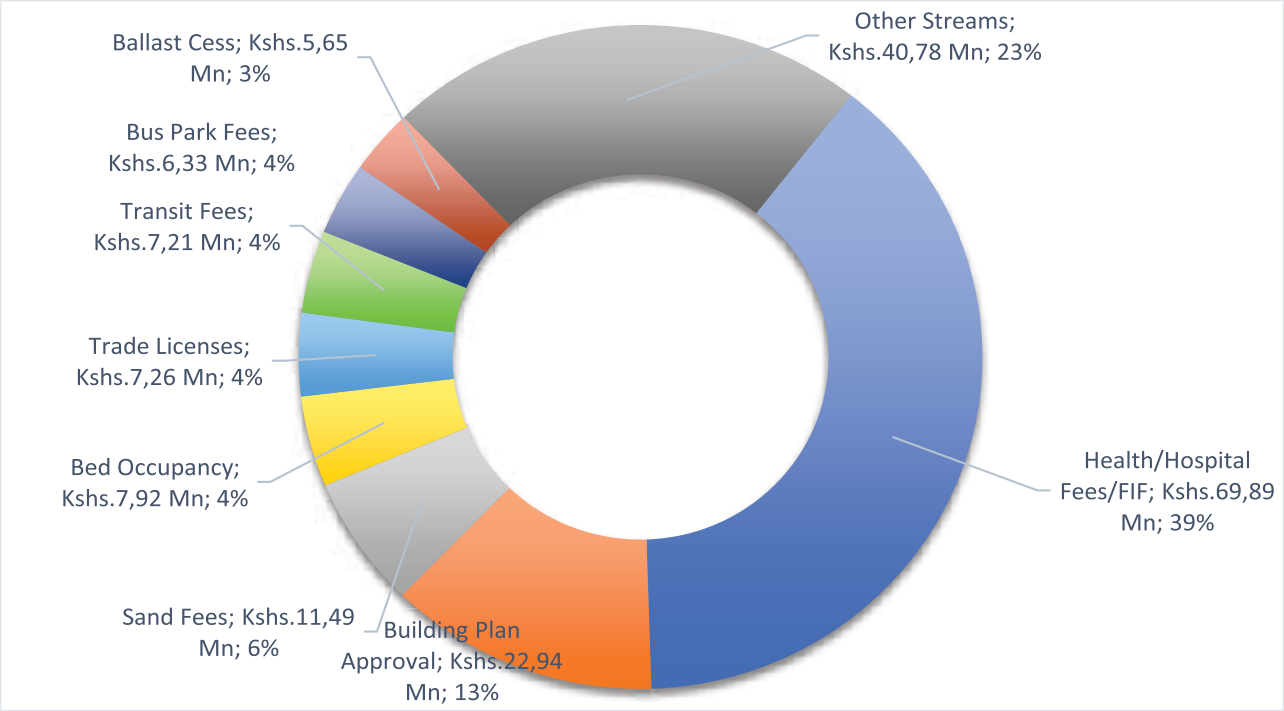
Figure 53: Kajiado County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Kajiado County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.179.48 million from its revenue sources, including FIF. This amount was an increase of 25 per cent compared to Kshs.143.91million realised in a similar period in FY 2024/25, and was 11 per cent of the annual target and 13 per cent of the equitable revenue share disbursed. The revenue streams that contributed the most to OSR receipts are shown in Figure 54.

Figure 54: Kajiado County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kajiado County Treasury

As shown in Figure 54, the highest revenue stream, at Kshs.69.89 million, was from Health/Hospital Fees/FIF, accounting for 39 per cent of the total OSR receipts. The County Government indicated that it has automated 20 (twenty) revenue streams out of 21(twenty-one).

3.10.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.12.09 billion, this amount increased to Kshs.12.91 billion as of 30th September 2025. Table 3.108 presents a breakdown of the County's revenue arrears.

Table 3.108: Kajiado County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September,2025	-	-	-	-	**756,011,665**
	Sub-Total					**756,011,665**
B	**Ordinary Own Sources of Revenue**					
1	**Jamii Bora**	933,930,000	-	-	-	933,930,000
2	**Magadi Soda**	10,541,636,244	-	-	-	10,541,636,244
3	**East African Portland CO., Ltd.**	125,235,266	-	-	-	125,235,266
4	Police Sacco	54,193,750	-	-	-	54,193,750
5	Kenchic Ltd and Others	19,100,000	-	-	-	19,100,000
6	Wildeness lodges and others	78,350,000	-	-	-	78,350,000
7	Universities	120,000,000	-	-	-	120,000,000
8	Sona Hydro, China Civil works and other contractors	11,200,000	-	-	-	11,200,000

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
9	Land rates of upcoming states and factories	32,000,000	-	-	-	32,000,000
10	Flower Farms	35,000,000	-	-	-	35,000,000
	..		-	-	-	
	Sub-Total	**11,955,645,260**	**-**	**-**	**-**	**11,955,645,260**
C	**Facility Improvement Fund (FIF)**					
1	SHIF	**24,481,570**	-	-		24,481,570
2	SHA	**105,445,433**	-	**112,391,790**		**174,482,434**
	Sub-Total	**129,907,004**	-	**112,391,790**	**181,448,790**	**198,964,004**
Total		**12,085,552,264**		**112,391,790**	**181,448,790**	**12,910,620,929**

Source: Kajiado *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.12.91 billion, comprising Kshs.756.01 million for Equitable share (6 per cent), Kshs.11.96 billion (93 per cent) for own source revenue and Kshs.198.96 million for Facility Improvement Funds (2 per cents). The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include the appointment of a new receiver of debts and the contracting of new debt recovery agents, known as the Regional Business Connection.

3.10.4 Borrowing by the County

There was no short-term borrowing during the period under review.

3.10.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.15 billion from the CRF account during the reporting period, which comprised Kshs.103.67 million (9 per cent) for development programmes and Kshs.1.05 billion (91 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.850.93 million was towards employee compensation and Kshs.196.39 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 47 per cent was for domestic travel and 2 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.92.65 million and included Kshs.37.38 million for the County Executive and Kshs.55.27 million for the County Assembly. The foreign exchequer totalled Kshs.3.50 million, which was incurred by the County Assembly.

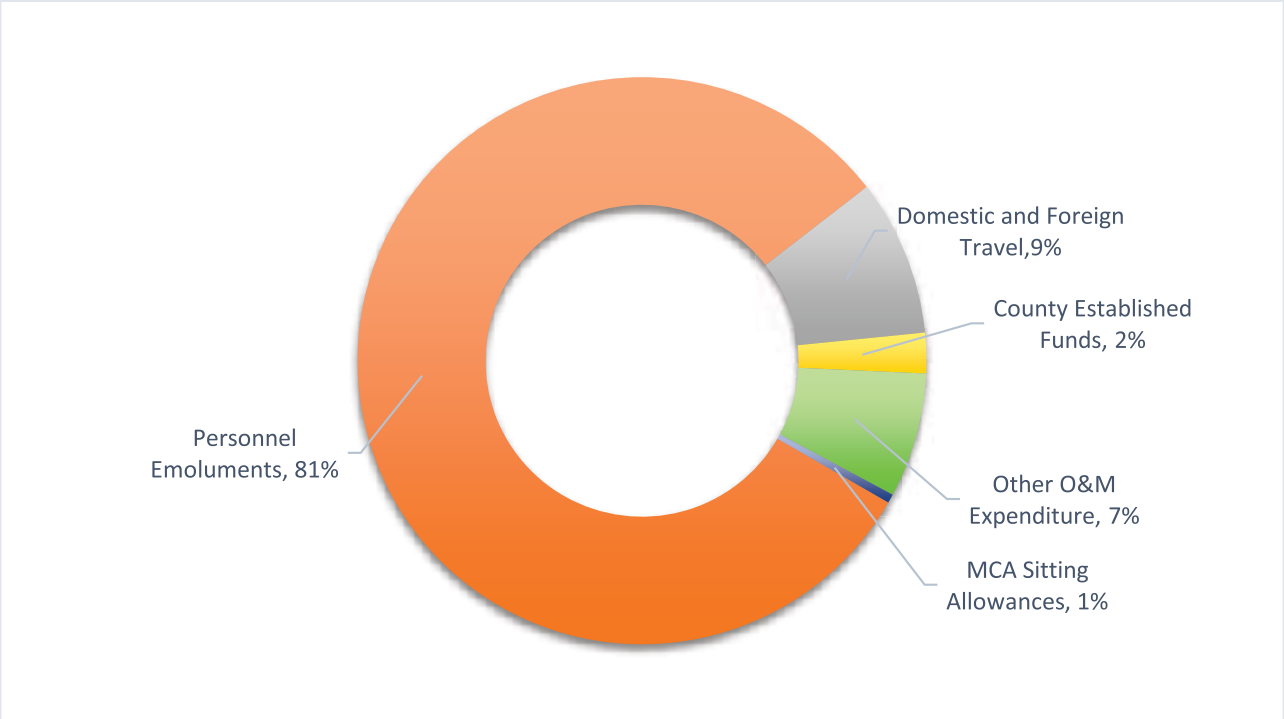
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.501.20 million.

3.10.6 Expenditure Review

The County spent Kshs.1.05 billion on recurrent programmes and nil towards development programmes in the reporting period. Recurrent expenditure accounted for 12 per cent of the annual recurrent budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 55: Kajiado County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Kajiado County Treasury*

As shown in Figure 55, the highest expenditure categories were Personnel Emolument, Daily Travel and Foreign Subsistence, Other Operation and Maintenance, County Established Funds, and MCA's sitting allowance, contributing 81 per cent, 9 per cent, 7 per cent, 2 per cent and 1 per cent of total expenditure for the reporting period.

3.10.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.2.78 billion. This amount included Kshs.2.65 billion from the County Executive and Kshs.130.44 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.21 billion for recurrent expenditures and Kshs.1.44 billion for development expenditures.

During the reporting period, there were no settled trade payables by the County Executive and Assembly. The outstanding trade payables as of 30th September 2025 were Kshs.2.65 billion for the County Executive and Kshs.130.44 million for the County Assembly. Table 3.109 provides additional details of trade payables.

Table 3.109: Kajiado County Trade Payables as of 30th September 2025

	Trade Payables as of 1 July 2025 (Kshs.)	Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding trade payables as of 30 September 2025 (Kshs.)
	A	B	C	D=A-C
County Executive				
Recurrent	1,205,746,901	-	-	1,205,746,901
Development	1,443,770,475	100,000,000	-	1,443,770,475
Total	**2,649,517,376**	**100,000,000**	**-**	**2,649,517,376**
County Assembly				
Recurrent	60,858,932	15,000,000	-	60,858,932
Development	69,577,781	60,000,000	-	69,577,781

	Trade Payables as of 1 July 2025 (Kshs.)	Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding trade payables as of 30 September 2025 (Kshs.)
	A	B	C	D=A-C
Total	**130,436,713**	75,000,000	-	**130,436,713**

Source: *Kajiado County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.400 million and Kshs.100 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it made no payments during the period under review.

Table 3.110 and Table 3.111 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.2.78 billion.

Table 3.110: Kajiado County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**589,069,814**	**456,450,313**	**69,009,119**	**320,192,579**	**1,443,770,474**
Recurrent Trade Payables (Goods & Services)	233,859,814	367,081,970	121,882,593	491,971,477	**1,205,746,902**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Trade Payables (Staff Claims)	-	-	-	-	-
Total Recurrent Trade Payables	**233,859,814**	**367,081,970**	**121,882,593**	**491,971,477**	**1,205,746,902**
Total Trade Payables	**822,929,628**	**823,532,283**	**190,891,712**	**812,164,056**	**2,649,517,376**
% of Total	**31%**	**31%**	**7%**	**31%**	**100%**

Source: *Kajiado County Treasury*

Table 3.110 shows that 38 per cent of the Executive's payables are more than 2 years old. The Executive should use FIFO in settling their payables.

Table 3.111: Kajiado County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**64,116,321**	**5,461,459**	-	-	**69,577,780**
Recurrent Trade Payables (Goods & Services)	28,359,859	10,017,897	-	-	**38,377,756**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	8,527,323	8,009,114	-	-	**16,536,437**
Recurrent Trade Payables (Staff Claims)	5,944,740	-	-	-	**5,944,740**
Total Recurrent Trade Payables	**42,831,922**	**18,027,011**	-	-	**60,858,933**
Total Trade Payables	**106,948,243**	**23,488,470**	**0**	**0**	**130,436,713**
% of Total	**82%**	**18%**	-	-	**100%**

Source: *Kajiado County Treasury*

3.10.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.793.53 million for compensation of employees, and Kshs.126.94 million for operations. Similarly, the County Assembly spent Kshs.56.96 million on compensation of employees, Kshs.69.89 million on operations and maintenance, and no expenditure was incurred on development activities, as shown in Table 3.112.

Table 3.112: Kajiado County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**8,009,571,506**	**872,493,878**	**920,463,243**	**126,845,773**	**11**	**15**
Compensation of Employees	4,910,976,814	361,620,000	793,527,821	56,958,601	16	16
Operations and Maintenance	3,098,594,692	510,873,878	126,935,422	69,887,172	4	14
Development Expenditure	**4,771,403,886**	**122,000,000**	-	-	-	-
Total	**12,780,975,392**	**994,493,878**	**920,463,243**	**126,845,773**	**7**	**13**

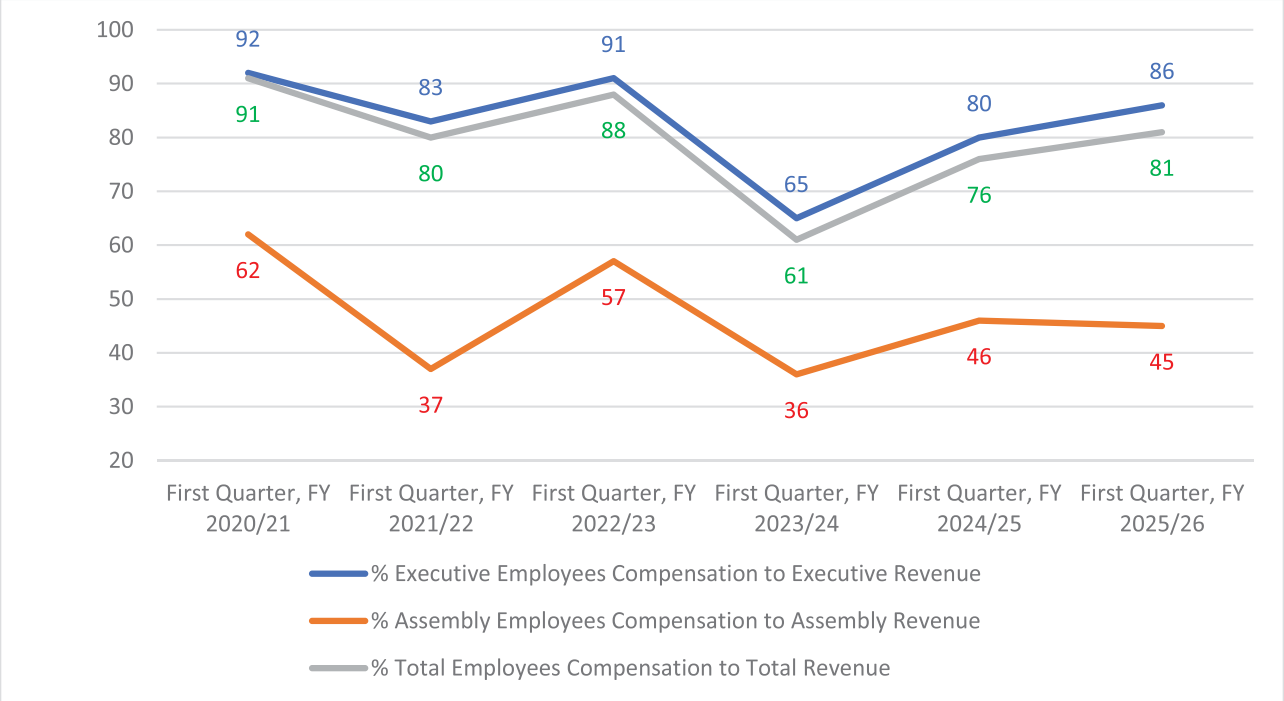
***Source**: Kajiado County Treasury*

3.10.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.850.50 billion. The compensation-to-revenue ratio was 49.5 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.899.5 million reported in a similar period in FY 2024/25. Of this total, Kshs.386.9 million was related to Health Sector employees, accounting for 45.5 per cent of the overall employees' compensation.

Figure 56 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 56: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Kajiado County Treasury

Further analysis indicated that PE costs amounting to Kshs.836.96 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.13.53 million was processed through manual payroll, which accounted for 2 per cent of the total PE cost.

The manual payroll comprised salaries for 13 staff not onboarded into the Human Resource Information System (HRIS), gratuity remittances to pension schemes for staff on contract, LAPTRUST/LAPFUND Pension Contributions, Salaries for the MCA's partisan staff, Salaries for Interns, and Nita Contribution, as shown in Table 3.113.

Table 3.113: Breakdown of Kajiado County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
1	Salaries for staff yet to be onboarded into HRIS	1,575,803
2	LAPTRUST/LAPFUND Pension Contributions	2,829,202
3	Gratuity for contract staff	8,309,244
4	Salaries for the MCA'S Partisan Staff	588,848
5	Salaries for Interns	200,000
6	Nita Contribution	31,700
	Total	**13,534,797**

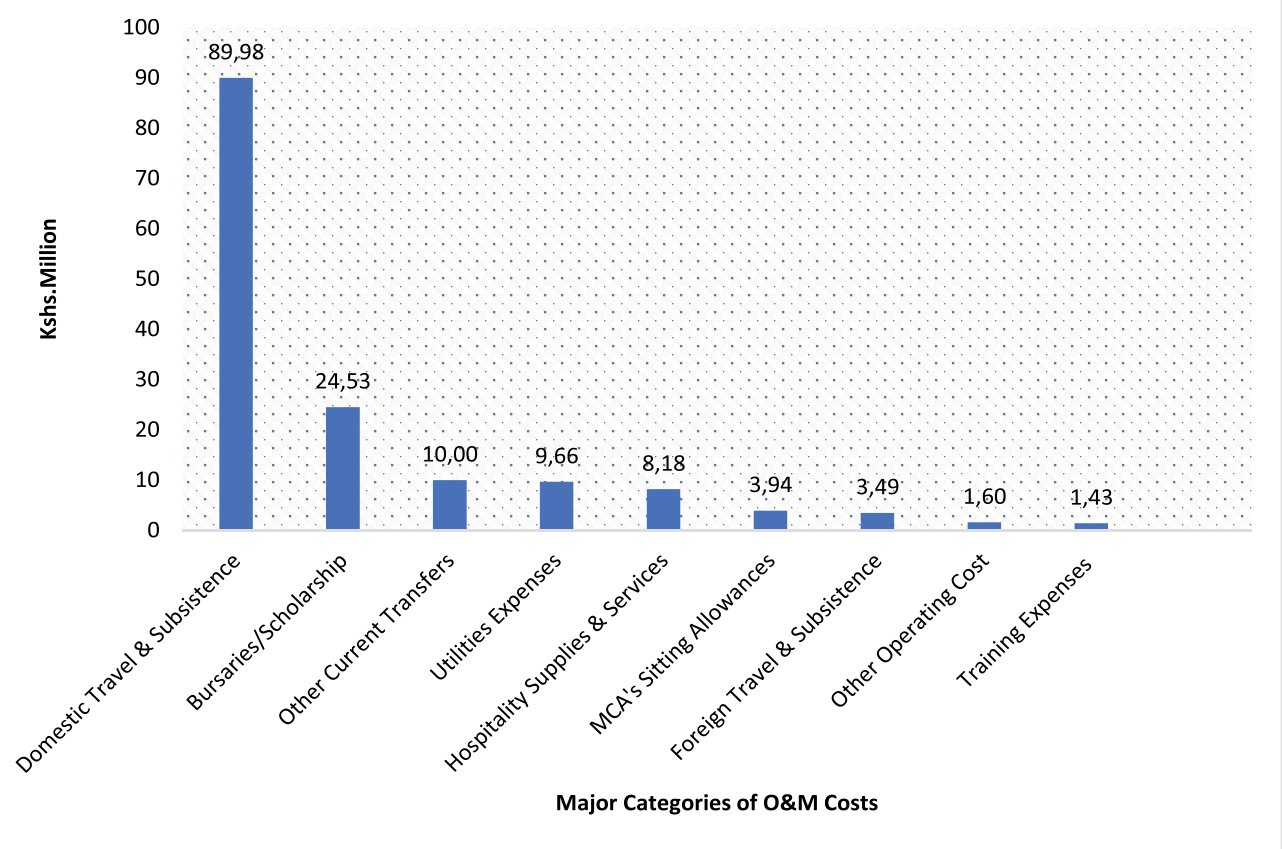
Source: Kajiado County Treasury

The County Assembly spent Kshs.3.94 million on committee sitting allowances for the 42 MCAs against the annual budget allocation of Kshs.32 million. The average monthly sitting allowance was Kshs.31,254 per MCA. The County Assembly has 20 House Committees.

3.10.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.196.82 million on operations and maintenance, representing a decrease of 29.4 per cent compared to FY 2024/25, when the County spent Kshs.278.7 million. Figure 57 summarises the Operations and Maintenance expenditure by major categories.

Figure 57: Kajiado County, Operations and Maintenance Expenditure by Major Categories



Source: *Kajiado County Treasury*

3.10.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.1.6 million under "*other Operating expenses*" translates to 0.8 per cent of the cumulative operations and maintenance expenditure of Kshs.196.82 million. The disaggregated items under the "*Other Operating Expenses*" category is shown in Table 3.114**.**

Table 3.114: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211310	Ward Office	9,600,000	1,600,000
	Total	**9,600,000**	**1,600,000**

Source: *Kajiado County Treasury*

3.10.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.370 million to County-Established funds in FY 2025/26, or 2.7 per cent of the County's overall budget. Further, the County allocated Kshs.100 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.115 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.115: Performance of Kajiado County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1	Educational Benefits-Scholarship	2016	200,000,000	50,000,000	24,526,400	1,130,000,000	Yes
2	Executive Car Loan and Mortgage	2016	20,000,000	-	-	280,247,500	No
3	Kajiado Youth and Sport Funds	2016	15,000,000	-	-	97,500,000	No
4	Disability Fund	2023	20,000,000	-	-	98,000,000	Yes
5	Liquor Fund	2014	40,000,000	-	-	-	No
6	Kajiado County Women Empowerment Fund	2021	20,000,000	10,000,000	-	10,000,000	No
7	Sub-County	2025	30,000,000	-	-	-	No
8		**County Assembly Established Funds Sub-County**					
9	MCA's Car Loan and Mortgage Fund	2021	25,000,000	-	-	Sub-County	No
	Total		**370,000,000**	**60,000,000**	**24,526,400**	**1,999,747,500**	

Source: *Kajiado County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from Emergency, Executive Car Loan and Mortgage, Kajiado Youth and Sport, Liquor, Kajiado County Women Empowerment, Kajiado County Veterinary Service Development and MCA's Car Loan and Mortgage Fund Administrators, as indicated in Table 3.115, contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that administration costs of the Liquor Funds were above the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the Liquor and Emergency/Disaster Fund** had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.10.13 County Corporations

The County has seven corporations, which were allocated Kshs.20 million in FY 2025/26. No expenditure was reported for the period under review, as shown in Table 3.116.

Table 3.116: Performance of Kajiado County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Kajiado County Investment Authority	20,000,000	Sub-County	-	35,000,000
2	Nolturesh Loitoktok Water and Sanitation Company Limited	-	-	-	-
3	Nolturesh Loitoktok Water and Sanitation Company Limited	-	-	-	-
4	Olkejuado Water and Sewerage Company Limited	-	-	-	-
5	Oldonyio Orok Water and Sewerage Company Limited	-	-	-	-
6	Oloolaiser Water and Sewerage Company Limited	-	-	-	-
7	Nolturesh Loitoktok Water and Sanitation Company Limited	-	-	-	-
	Total	20,000,000	-	-	-

Source: *Kajiado County Treasury*

3.10.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.89.98 million and comprised Kshs.43.81 million spent by the County Assembly and Kshs.46.17 million by the County Executive. Expenditure on foreign travel amounted to Kshs.3.49 million, which was entirely spent by the County Assembly. Expenditure on foreign travel is summarised in Table 3.117.

Table 3.117: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly	6	11th to 16 August 2025	A workshop on the Hansard Association conference	Ghana	1,697,381
County Assembly	2	13th to 21st July,2025	A workshop on Financial Management and Oversight Training	Singapore	1,257,560
County Assembly	1	13th to 21st July, 2025	A workshop on the Kenya Legislative Caucus	Russia	532,068
Total					**3,487,009**

Source: Kajiado County Treasury and XX County Assembly

3.10.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.69.89 million as FIF, which was 15.9 per cent of the annual target of Kshs.440 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by health facilities amounted to Kshs.166.64 million, as shown in Table 3.118.

Table 3.118: County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Ngong Sub-County Hospital	1	55,265,184	7,332,738	13.3
2.	Kajiado County Referral Hospital	1	82,841,967	112,104,583	135.3
3.	Kitengela Sub County Hospital	1	89,845,357	6,894,714	7.7
4.	Loitokitok Sub County Hospital	1	75,564,719	28,603,610	37.9
5.	Ongata Rongai Sub County Hospital	1	53,703,958	7,663,769	14.3
6.	Mashuuru Sub County Hospital	1	6,141,604	641,160	10.4
7.	Mbirikani Sub County Hospital	1	6,637,210	446,213	6.8
8.	Public Health	-	70,000,000	-	-
	Total		**440,000,000**	**166,636,149**	**37.8**

Source: *Kajiado County Treasury*

3.10.16 Development Expenditure

During the review period, the County did not report any spending on development programmes, as no expenditures were recorded in a similar period in FY 2024/25. As of 30 September 2025, the County did not report any stalled development projects.

3.10.17 Budget Performance by Department

Table 3.119 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.119: Kajiado County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	228.30	0.00	15.87	0.00	15.87	-	100.0	-	6.9	-
County Public Service Board	120.79	0.00	11.78	0.00	11.78	-	100.0	-	9.8	-
Medical Service and Public Health	3,436.43	65.00	388.29	0.00	388.29	-	100.0	-	11.3	-
Water, Irrigation, Environment and Natural Resources	175.21	406.12	23.22	13.67	23.22	-	100.0	-	13.3	-
Roads, Transport, Public Works and Energy	192.98	713.88	29.31	0.00	29.31	-	100.0	-	15.2	-
Public Service, Administration and Citizen Participation	866.61	352.50	91.96	0.00	91.96	-	100.0	-	10.6	-
County Treasury	847.10	1,098.24	88.85	0.00	88.85	-	100.0	-	10.5	-

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Physical Planning and Urban Development	189.11	721.23	17.13	90.00	17.13	-	100.0	-	9.1	-
County Assembly	872.49	122.00	126.86	0.00	126.85	-	100.0	-	14.5	-
Education, Youth and Sport	912.47	181.40	142.15	0.00	142.15	-	100.0	-	15.6	-
Gender, Cooperative, Culture, Tourism and Wildlife	204.93	0.00	27.02	0.00	27.02	-	100.0	-	13.2	-
Agriculture. Livestock, Veterinary Service and Fisheries	254.75	504.53	31.22	0.00	31.02	-	100.0	-	12.3	-
Trade, Investments and Enterprise Development	224.18	423.50	28.51	0.00	28.51	-	100.0	-	12.7	-
Kajiado Municipality	68.68	60.00	6.02	0.00	6.02	-	100.0	-	8.8	-
Ngong Municipality	98.82	155.00	10.04	0.00	10.04	-	100.0	-	10.2	-
Office of the County Attorney	142.22	0.00	4.77	0.00	4.77	-	100.0	-	3.4	-
Kitengela Municipality	47.00	90.00	4.33	0.00	4.33	-	100.0	-	9.2	-
	8,882.07	**4,893.4**	**1,047.32**	**103.67**	**1,047.31**	**-**	**100.0**	**-**	**11.8**	**-**

Source: *Kajiado County Treasury*

Analysis of expenditure by departments shows that no absorption was incurred for development expenditures during the period under review. The Department of Education, Youth and Sport had the highest percentage of recurrent expenditure to budget at 15.6 per cent, while the Department of County Attorney had the lowest at 3.4 per cent.

3.10.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes had no absorption for the period under review. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Budget Coordination and management in the Department of County Treasury at 49 per cent, Internal Audit in the Department of County Treasury at 25 per cent, General Administration, Planning and Supporting Service in the Department of Gender, Culture, Cooperative, Tourism and Wildlife at 23 per cent, and Legislation, Representation and Oversight at 20 per cent of the budget allocation.

3.10.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 172 accounts in commercial banks, including 137 accounts for Health Facilities, one account for Vocational Training Centres, ten accounts for Established Funds, two revenue accounts and twenty-two special-purpose accounts (additional allocations.)

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 167 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.10.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.179.48 million against an annual target of Kshs.1.68 billion, representing 10.7 per cent of the financial year target.
ii. No development performance in the review period as the County incurred zero expenditures on development activities, achieving a nil development absorption rate.
iii. Unspent funds from FY 2024/25 were not refunded into the CRF account, resulting in actual expenditures exceeding the approved exchequer in several departments, as shown in Table 3.119.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Liquor Fund and the Emergency Fund had lapsed, making them ineligible for further withdrawals.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Emergency Fund, Liquor Fund, Executive car loan and Mortgage, Kajiado County Youth and Sport Fund, Kajiado County Women Empowerment Fund and MCA's Car loan and Mortgage Fund were not submitted to the CoB as of 15 July 2025.
vi. High level of trade payables, which amounted to Kshs.2.78 billion as of 30 September 2025. Further, the County Treasury failed to adhere to the payment plan for trade payables .
vii. Use of manual payroll. Personnel emoluments amounting to Kshs.13.53 million for 1.58 staff not onboarded into HRIS, Kshs.2.83 million for LAPTRUST/LAPFUND, Kshs.8.31million as gratuities for the staff on contract, Kshs.588,848 as salaries for MCA's partisan staffs, Kshs.200,000 as salaries for interns and Kshs.31,700 paid as Nita Contribution, were processed through manual payroll, accounting for 1.6 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
viii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
ix. The County reported revenue arrears of Kshs.12.91 billion, comprising Kshs.11.96 billion for ordinary OSR (with Magadi Soda having an arrear of Kshs.1.054 billion) and a FIF arrear of Kshs.198.96 million. These revenue arrears limited funding for County activities in the review period.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County Treasury should ensure unspent funds from the previous financial year are deposited into the CRF Account in line with Section 136 of the PFM Act 2012.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vii. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

viii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

ix. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.11. County Government of Kakamega

3.11.1 Overview of FY 2025/26 Budget

The Kakamega County Approved Budget for FY 2025/26 is Kshs.18.15 billion. It comprises Kshs.6.22 billion (34 per cent) and Kshs.11.93 billion (66 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase from Kshs.17.65 billion (3 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.5.40 billion and a recurrent budget of Kshs.12.24 billion. The increase in the budget was primarily attributed to the rise in national sharable revenue by Kshs.598.53 million.

The budget is to be financed from the various revenue sources, including the equitable share of revenue raised nationally, of Kshs.13.48 billion (75 per cent), additional allocations of Kshs.1.58 billion (9 per cent), a cash balance of Kshs.794.71 million (4 per cent) brought forward from FY 2024/25, and Kshs.2.20 billion (12 per cent) to be generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.120.

3.11.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.91 billion in revenues to fund its development and recurrent activities. This amount represented an increase of 6 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.75 billion. The total revenue consisted of Kshs.2.20 billion from the equitable share of revenue raised nationally. Other revenue streams included own-source revenue (OSR) collection of Kshs.240.37 million, which comprised Facilities Improvement Financing (FIF) of Kshs.174.57 million, and Kshs.65.80 million from other OSR sources. The balances brought forward for FY2024/25 in CRF and other special-purpose accounts as at 30th June 2025 were Kshs.468.56 million. Table 3.120 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.120: Kakamega County, Revenue Performance in FY 2025/26

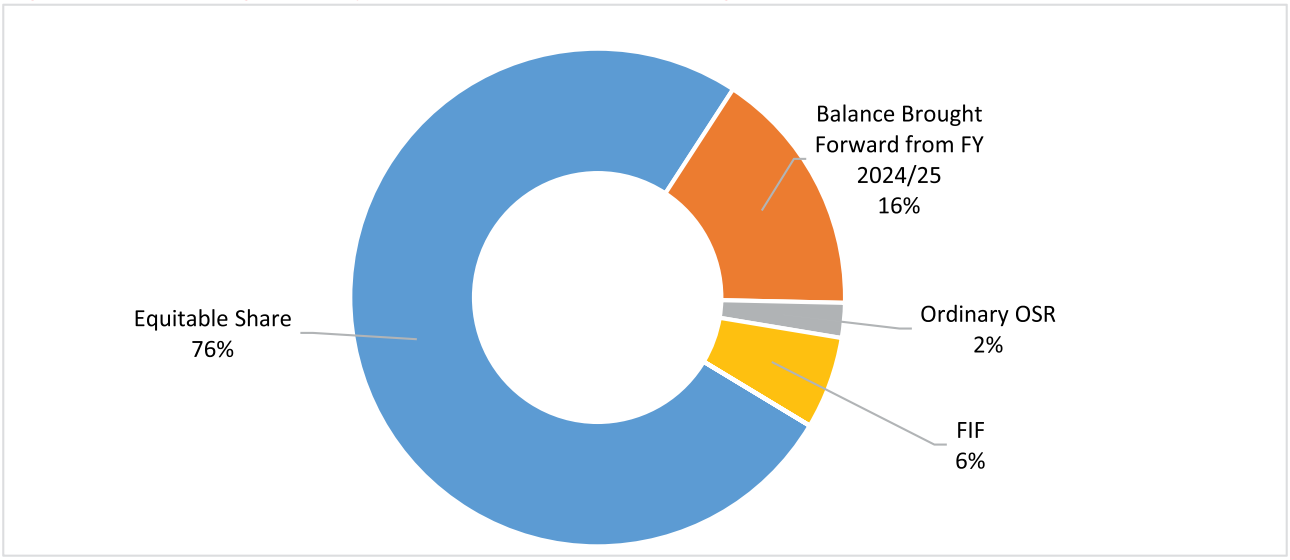
No	Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Performance (%)
A.	**Equitable Share**	13,579,038,225	2,197,330,713	16
	Sub-Total	**13,579,038,225**	**2,197,330,713**	**16**
B.	**Additional Allocations**			
1	County Aggregation and Industrial Park Programme	250,000,000		-
2	Kenya Devolution Support Programme (KDSP II) L11	352,500,000		-
3	County Climate Resilience Investment Grant -IDA	191,131,378		-
4	National Agricultural Value Chain Development Project (NVCDP)	151,515,152		-
5	Community Health Promoters Project	127,500,000		-
6	Kenya Urban Support Programme (KUSP) UDG	120,740,969		-
7	Kenya Informal Settlement Improvement project (KISIP II)	110,000,000		-
8	County Climate Resilience Investment Grant -KFW	101,001,459		-
9	Kenya Devolution Support Programme (KDSP II)	37,500,000		-
10	Kenya Urban Support Programme (KUSP) UIG	35,000,000		-
11	Kenya Livestock Commercialization Project (KELCLOP)	33,550,000		-
12	Aquaculture Business Development Project (ABDP)	24,417,125		-
13	DANIDA Grant - Primary Health Care -L2&L3	11,844,000		-
14	DANIDA Grant - Primary Health Care -L1	11,597,250		-
15	FLLoCA-(CCIS)	11,000,000		-
16	Kenya Agricultural Business Development (KABDP)	10,918,919		-

No	Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Performance (%)
	Sub-Total	**1,580,216,252**	-	-
C.	**Other Sources of Revenue**			
17	**Balance b/f from FY2024/25**	**794,706,578**	**468,580,965**	**59**
18	Balances b/f in Special Purpose Accounts (SPA)		348,680,889	-
19	Balance B/F Held In CRF- Refund by County Executive		119,900,077	-
20	Ordinary Own Source Revenue	957,367,445	65,799,022	7
24	Facility Improvement Fund (FIF)	1,242,632,555	174,569,176	14
	Sub-Total Other Sources	**2,994,706,578**	**708,949,163**	**24**
	Grand Total	**18,153,961,055**	**2,906,279,876**	**16**

Source: *Kakamega County Treasury*

Figure 58 provides a detailed breakdown of revenues, showing the amount received for each shilling.

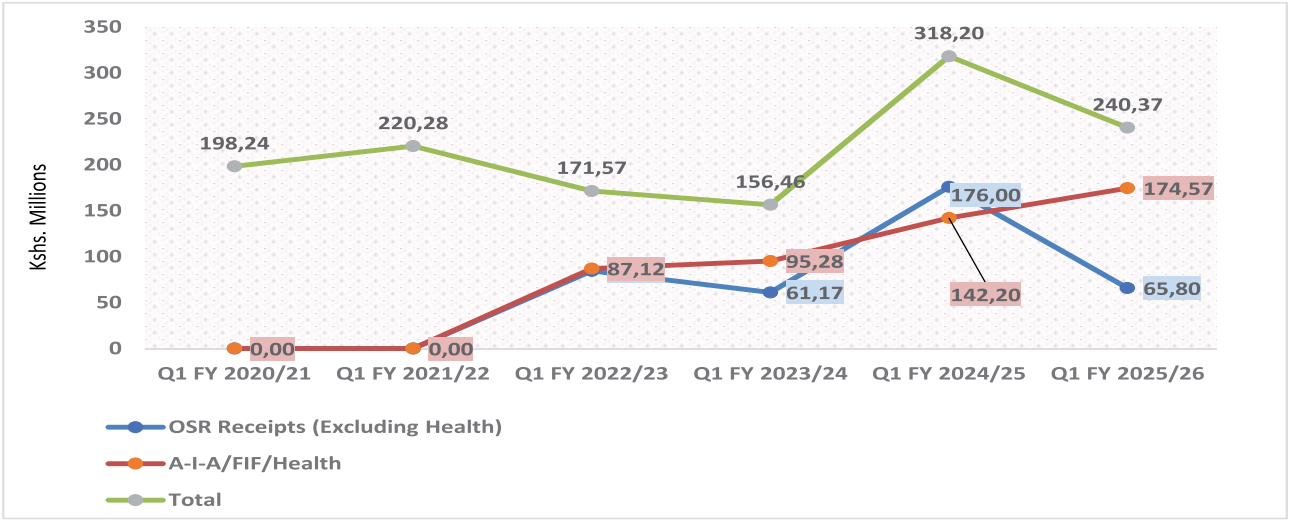
Figure 58: Kakamega County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kakamega County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and gross own source revenues contributed 76 per cent, 16 per cent and 8 per cent, respectively, of the total revenues for the reporting period. The County has a governing legislation on the operation of FIF. Figure 2 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 59: Kakamega County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



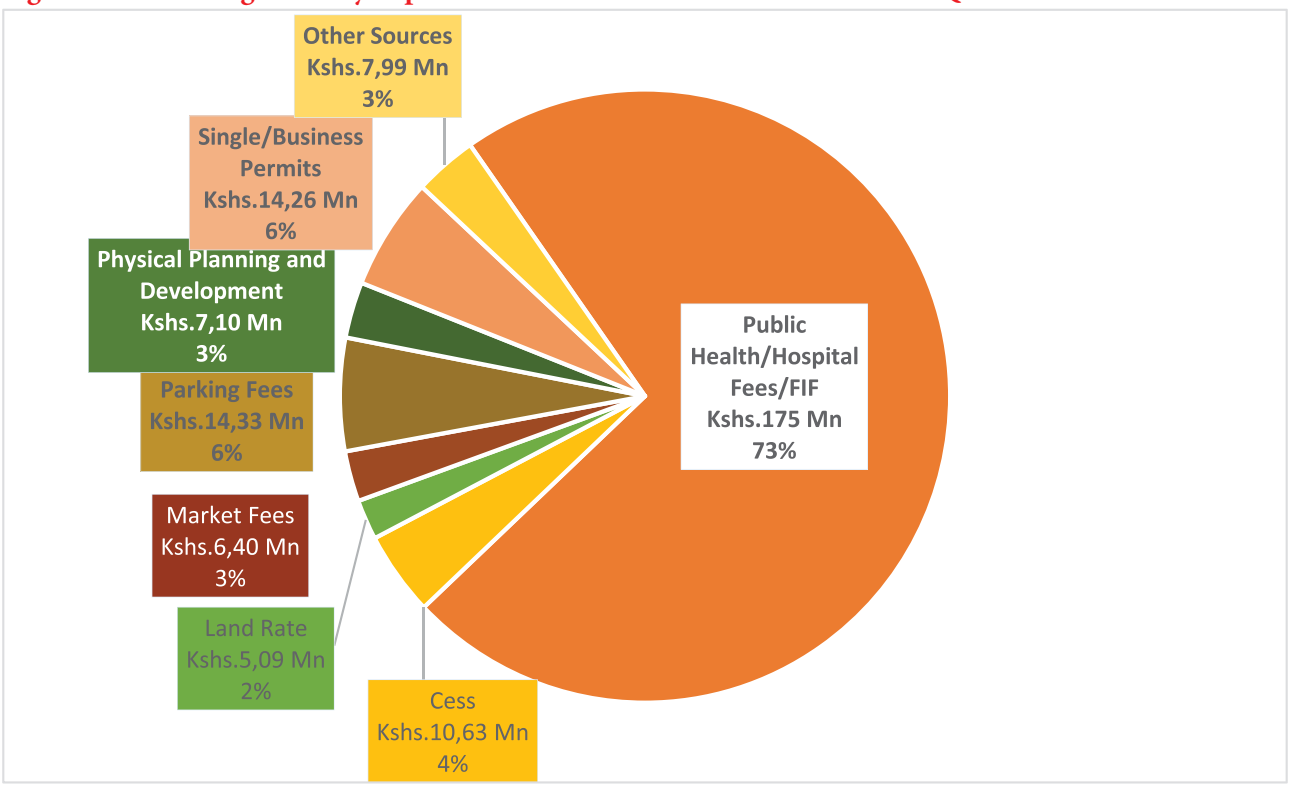
Source: *Kakamega County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.240.37 million from its revenue sources, including FIF. This amount was a decrease of 24 per cent compared to Kshs.318.20 million realised in a similar period in FY 2024/25, and was 11 per cent of the annual target and 11 per cent of the equitable revenue share disbursed.

Further analysis indicates that the first-quarter revenue performance reveals a significant and immediate fiscal challenge, driven by a dramatic decline in core Own Source Revenue (OSR). While total Q1 revenue peaked impressively at Kshs.318 million in FY 2024/25, it has since contracted to Kshs.240 million in the current quarter (FY 2025/26). This instability is entirely attributable to the non-health OSR receipts, which suffered a catastrophic collapse from Kshs.176 million to just Kshs.66 million in first quarter of FY 2025/26, indicating a major failure in the County's collection machinery. In stark contrast, the A-I-A/FIF/Health revenue stream demonstrates financial resilience, with steady growth reaching Kshs.175 million in the same period, suggesting that while the operational revenue base for general services is faltering, funding for crucial health services remains robust. This sharp divergence requires immediate intervention to stabilise the core OSR base and prevent the current collection inefficiency from undermining overall service delivery. The decrease in OSR was attributed to the temporary closure of sugar companies, which caused a reduction in cess fees, reduced advertisements due to the use of online alternatives, and the use of rapid response measures on the collection of single business permit fees in June 2025, which reduced fees collectable for the last half of the calendar year.

The revenue streams that contributed the most to OSR receipts are shown in Figure 60.

Figure 60: Kakamega County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kakamega County Treasury

As shown in Figure 60, the highest revenue stream, at Kshs.175 million, was from Public Health and Facility Improvement Financing, accounting for 73 per cent of the total OSR receipts. The County Government indicated that it has automated 6 of 17 revenue streams.

3.11.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.1.52 billion, this amount decreased to Kshs.1.26 billion as of 30th September 2025. Table 3.121 presents a breakdown of the County's revenue arrears.

Table 3.121: Kakamega County Revenue Arrears as of 30 September 2025

Revenue Stream	Revenue Arrears as of 30 June 2025 (Kshs.)	Progress made in Q1 FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
		Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in Q1 FY 2025/26 (Kshs)	
	a	b	c	d	f=a-b-c+d
Ordinary Own Sources of Revenue	1,066,141,099		6,534,484	5,707,814	**1,065,314,429**
SHA	237,630,456		189,157,701	0	**48,472,755**
SHIF	35,686,362		0	12,466,907	**48,153,269**
NHIF	176,821,378		80,067,354	0	**96,754,024**
Sub-Total	**1,516,279,295**	**-**	**275,759,539**	**18,174,721**	**1,258,694,477**

Source: *Kakamega County Treasury*

As of 30 September 2025, the revenue arrears comprised only the principal amount, as the County Treasury did not expressly report any accrued interest or penalties. The measures instituted by the County to collect outstanding arrears in FY 2025/26 include sending reminder notices and enforcing land rates as the public seeks approvals.

3.11.4 Borrowing by the County

Kakamega County did not disclose any existing credit facility. However, both arms of the government have signed a renewable salary Memorandum of Understanding (MoU) with commercial banks to manage monthly salary payments.

3.11.5 Exchequers Approved

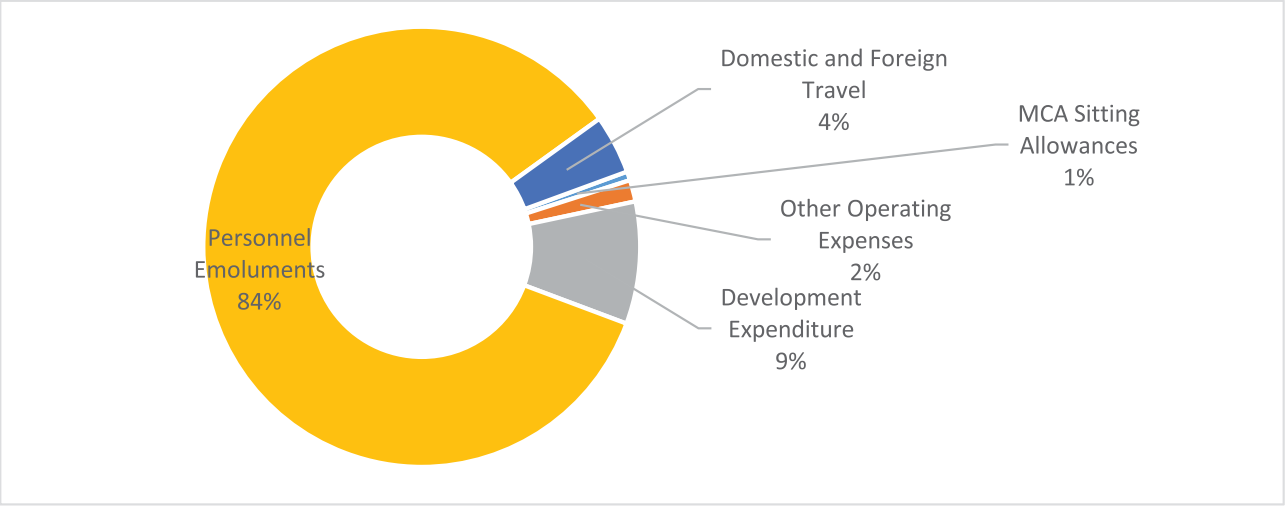
The Controller of Budget approved withdrawals of Kshs.1.79 billion from the CRF account during the reporting period, which comprised Kshs.133.68 million (7 per cent) for development programmes and Kshs.1.66 billion (93 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.31 billion was towards employee compensation and Kshs.346.91 million for operations and maintenance expenditure. The operations and maintenance exchequer analysis indicate that 11 per cent was for Daily subsistence allowance amounting to Kshs.37.55 million. This was requested by the County Assembly was for domestic travels only.

As of the 30th September 2025, the County Government's cash balance in the CRF account was Kshs.1.37 billion, whereas the National shareable revenue of Kshs.1.09 billion had been disbursed to CRF on 22nd September 2025.

3.11.6 County Expenditure Review

The County spent Kshs.2.25 billion on development and recurrent programmes in the reporting period. The expenditure represented 126 per cent of the total funds released by the CoB. It comprised Kshs.180.90 million for development programmes and Kshs.2.07 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 3 per cent, while recurrent expenditure represented 17 per cent of the annual recurrent expenditure budget. Figure 61 provides a detailed breakdown of expenditure, showing the relative composition of each shilling incurred.

Figure 61: Kakamega County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Kakamega *County Treasury*

As shown in Figure 61, the three highest expenditure categories were Personnel emoluments, Development expenditure and Domestic and foreign travel costs, contributing 84 per cent ,9 per cent and 4 per cent of total expenditure for the reporting period.

3.11.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.2.17 billion. This amount included Kshs.1.71 billion from the County Executive and Kshs.454.41 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.773.65 million for recurrent expenditures and Kshs.938.25 million for development expenditures.

During the reporting period, the County Assembly reviewed the trade payables to Kshs.685.19 million, which comprised of Kshs.521.35 million for recurrent activities and Kshs.163.84 million for development activities. Table 3.122 provides additional details of County trade payables.

Table 3.122: Kakamega County Trade Payables as of 30 September 2025

Details	Trade Payables as of 1 July 2025 (Kshs.)	Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding Trade Payables as of 30 September 2025 (Kshs.)
	A	B	C	D=A-C
County Executive				
Recurrent	773,646,906	35,000,000		773,646,906
Development	938,246,705	45,000,000		938,246,705
Total	**1,711,893,612**	**80,000,000**	-	**1,711,893,612**
County Assembly				
Recurrent	454,414,971			521,352,510
Development				163,839,515
Total	**454,414,971**	-	-	**685,192,025**

Source: *Kakamega County Treasury*

The County Executive submitted a trade payable payment plan, committing to pay Kshs.80 million, in first quarter of FY 2025/26. However, the County Assembly did not submit the trade payable payment plan within the reporting period. The County Executive did not adhere to this payment plan.

Table 3.123 presents the ageing of the County Assembly outstanding bills as of 30 September 2025, which amounted to Kshs.685.19 million.

Table 3.123: Kakamega County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables				**163,839,515**	**163,839,515**
Recurrent Trade payables (Goods & Services)	59,948,937	157,337,800	38,827,939	9,741,435	**265,856,111**
Recurrent Trade payables (Salary Arrears and Statutory Deductions)	62,355,719	86,537,731	3,797,665		**152,691,115**
Recurrent Trade payables (Staff Claims)	98,896,612	3,908,600			**102,805,212**
Total Recurrent Trade payables	**221,201,268**	**247,784,131**	**42,625,604**	**9,741,435**	**521,352,438**
Total Trade payables	**221,201,268**	**247,784,131**	**42,625,604**	**173,580,950**	**685,191,953**
% of Total	**32%**	**36%**	**6%**	**25%**	**100%**

***Source**: Kakamega County Assembly*

The County Assembly should prepare a pending bill settlement plan on a First-in, First-out basis to pay the older bills first. In addition, the County Treasury should adhere to the submitted settlement plan submitted to COB and timely submit the ageing analysis by the end of each quarter to show progress in payments.

3.11.8 Expenditure by Economic Classification

During the reporting period, the County Executive spent Kshs.1.55 billion on employee compensation, Kshs.198.40 million on operations and maintenance, and Kshs.180.90 million on development activities. Similarly, the County Assembly spent Kshs.151.44 million on compensation of employees, Kshs.171.15 million on operations and maintenance, as shown in Table 3.124Table 3.6

Table 3.124: Kakamega County Summary of Budget and Expenditure by Economic Classification

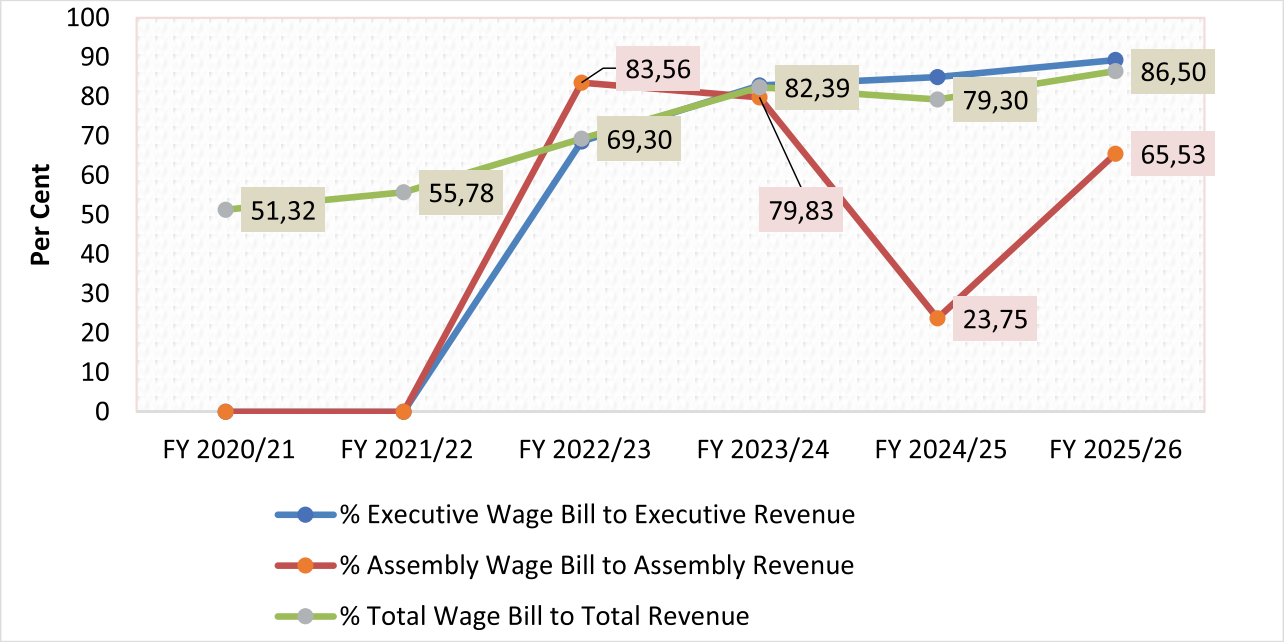
Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**10,551,592,991**	**1,375,643,000**	**1,746,670,014**	**322,589,652**	**17**	**23**
Compensation of Employees	6,050,000,000	700,402,043	1,548,269,603	151,436,353	**26**	**22**
Operations and Maintenance	4,501,592,991	675,240,957	198,400,411	171,153,299	**4**	**25**
Development Expenditure	**6,226,725,064**	-	**180,903,230**	-	**3**	**0**
Total	**27,329,911,046**	**2,751,286,000**	**3,674,243,257**	**645,179,305**	**13**	**23**

***Source**: Kakamega County Treasury*

3.11.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.70 billion. The compensation-to-revenue ratio was 86 per cent. This expenditure on employee compensation shows a decrease compared to the Kshs.2.10 billion reported in a similar period in FY 2024/25. Figure 62 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 62: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Kakamega County Treasury

The **FY 2025/26** has registered the **highest ratio of total wage bill to total revenue received** over the five-year period spanning FY 2020/21 to FY 2025/26. Further analysis reveals a **consistent increase in the total wage bill as a percentage of total revenue throughout this** period.

While the overall trend has been upward, the Assembly's wage bill-to-revenue ratio has been unstable between FY 2020/21 and FY 2025/26.

A notable deviation occurred in **FY 2024/25**, which recorded a **significant, sudden decrease** in this ratio, dropping sharply from 80 to 24. This decline indicates a **substantial increase in Assembly revenue** relative to the prior financial year's performance.

Further analysis indicated that PE costs amounting to Kshs.1.67 billion were processed through the Human Resource Information System (HRIS), while Kshs.26.92 million was processed through manual payroll, which accounted for 2 per cent of the total PE cost.

The manual payroll comprised salaries for 28 ward staff not onboarded into the HRIS, salaries for 15 casual staff, and 2 board members' Contractual. Allowance, beside the employer's contribution of gratuity remittances to pension schemes for staff and state officers on contract, that is LAPTRUST and LAPFUND Pension Contributions, as shown in Table 3.125.

Table 3.125: Breakdown of Kakamega County Assembly Manual Payroll

Category	County Assembly (Kshs.)
Employer's Contribution Pension/ Gratuity Dues	15,690,881
Special Salary	6,124,655
Employer's Contribution - Housing Levy	2,089,082
Employer's Contribution - NSSF	1,326,060
Partisan Staff - Ward	854,500
Contractual Allowance	549,500
Casuals Wages	145,000
Employer's Contribution - NITA	67,100
Interns' Stipend	48,000
Domestic Allowance	30,000
Total	**26,924,777**

Source: Kakamega County Treasury

The County Assembly spent Kshs.13.25 million on committee sitting allowances for the 89 MCAs against the annual budget allocation of Kshs.154.87 million. The average monthly sitting allowance was Kshs.49,617 per MCA. The County Assembly has 26 House Committees.

3.11.10 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The financial statements of the funds revealed that the County allocated Kshs.1.95 billion to County-Established funds in FY2025/26, or 11 per cent of the County's overall budget. Further, the County allocated Kshs.100 million to the Emergency Fund (1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.126 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.126: Performance of Kakamega County Established Funds in the First Quarter of FY 2025/26

No	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Annual FS as of 31.03.2025 (Yes/No)
1	Emergency Fund	2018	100,022,001	0	1,996,408		Yes
2	Kakamega County Facility Improvement Fund	2022	952,294,392	222,195,541	214,242,793		Yes
3	Kakamega County Climate Change Fund	2020	645,993,850	43,606,229	12,408,756	345,781,854	Yes
4	County Executive Car Loan and Mortgage	2016	2,846,632	188,850	123,438	86,330,000	Yes
5	Bursary & Scholarship Fund	2017	88,512,000	30,669,500	6,002,785		Yes
6	The Kakamega County Alcoholic Drinks Control Fund	2014	162,308,350	1,485,260	3,511,060		Yes
7	County Assembly Car Loan & Mortgage	2014					No
Total			**1,951,977,225**	**298,145,380**	**238,285,240**	**432,111,854**	

Source: *Kakamega County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports, prepared on accrual basis, from County Assembly Car Loan & Mortgage Fund Administrators, as indicated in Table 3.126, contrary to the requirement of Section 168 of the PFM Act, 2012. The funds administration costs of were within the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the Kakamega County Alcoholic Drinks Control Fund and County Assembly Car Loan & Mortgage Fund** had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.11.11 County Corporations

The County has five municipalities, four County Corporations and agencies, and two water companies which were allocated Kshs.452,275,138 million in FY 2025/26 as per the body corporates' financial statements. Their total expenditure for the review period amounted to Kshs.19 million, as shown in Table 3.127.

Table 3.127: Performance of Kakamega County Corporations in the First Quarter of FY 2025/26

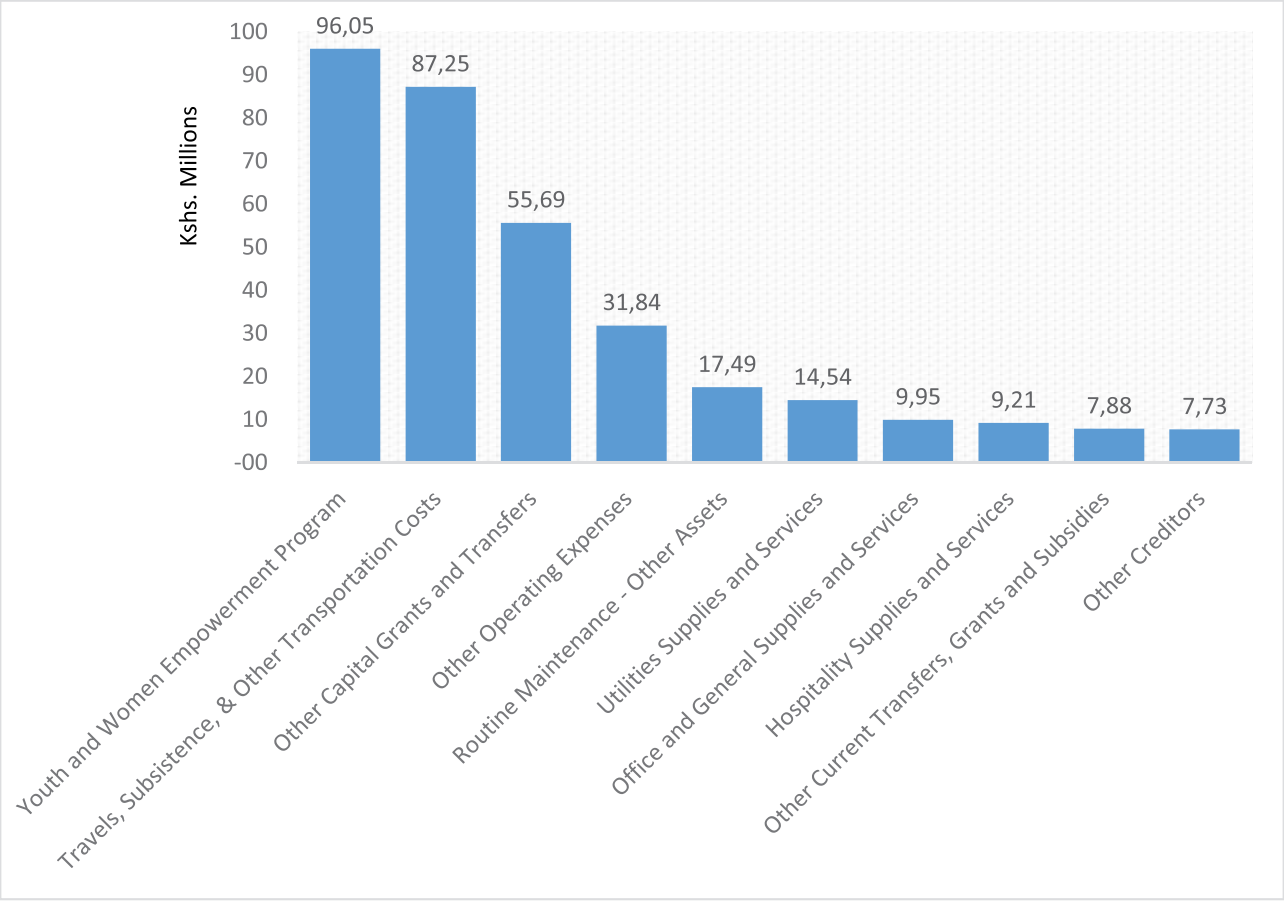
No	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in FY2025/26 (Kshs)	Actual Expenditure in FY2025/26 (Kshs.)	Cumulative Exchequer Issues to the Corporation since its inception (Kshs.)
1	Kakamega Municipality	2017	171,173,085	4,000,000	23,655,206	
2	Mumias Municipality	2017	73,695,018	0	1,420,023	
3	Butere Municipality	2025	-		Not reported	
4	Matunda Municipality	2025	-			
5	Malava Municipality	2025	-			
6	Kakamega County Rural Water and Sanitation Company	2018	49,000,000	0	7,352,494	
7	Kakamega County Investment Development Agency	2018	20,000,000	0	7,339	
8	Kakamega County Microfinance Corporation	2018	19,870,076	0	2,995,175	257,250,000
9	Kakamega Dairy Development Corporation	2018	58,536,959	0	310,788	
10	Kakamega Revenue Agency	2017	60,000,000	15,000,000	13,475,872	
Sub-total			**452,275,138**	**19,000,000**	**49,216,897**	

Source: *Kakamega County Treasury*

3.11.12 Expenditure on Operations and Maintenance

Figure 63 summarises the Operations and Maintenance expenditure by major categories.

Figure 63: Kakamega County, Operations and Maintenance Expenditure by Major Categories



Source: *Kakamega County Treasury*

The breakdown of "*Other Operating Expenses*" in the above graph is provided in Table 3.128.

Table 3.128: The "other Operating Expenses breakdown

IFMIS code	Economic Item & Title	Entity	Gross Approved Estimates FY 2025/26 (Kshs.)	1st Quarter Expenditure FY2025/26
2211301	Bank service commissions	County Assembly	100,000	2,142
2211301	Bank service commissions	County Executive	30,000	3,162
2211305	Contracted guards and cleaning services	County Assembly	6,300,000	1,134,500
2211306	Membership fees, subscriptions	County Assembly	5,000,000	115,275
2211308	Legal fees, arbitration	County Assembly	14,000,000	2,260,344
2211309	Ward Office Operations	County Assembly	97,344,000	28,326,704
Total			**122,774,000**	**31,842,127**

Sources: *Kakamega County Treasury and Kakamega County Assembly*

Expenditure on domestic travel amounted to Kshs.75.07 million and comprised Kshs.70.45 million spent by the County Assembly and Kshs.4.62 million by the County Executive. Expenditure on foreign travel amounted to Kshs.12.18 million and comprised Kshs.11.94 million by the County Assembly and Kshs.239,437 by the County Executive. Expenditure on foreign travel is summarised in Table 3.129Table 3.22

Table 3.129: Summary of Expenditure on Foreign Travel in FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in First Quarter off FY 2025/26 (Kshs.)
County Assembly	1	22nd Feb-1st March 2025	EALASCA games	Kampala	228,080
County Assembly	2	5th -11th Sep 2025	Annual PBO meeting	Nigeria	400,000
County Assembly	23	22nd Feb-1st March 2025	EALASCA games	Kampala	11,310,898
Total					**11,938,978**

Source: Kakamega County Assembly

From the Table 3.129, it can be observed that the County Assembly arm of the County Government reported a total expenditure of Kshs.11,938,978 for three international travel instances during the First Quarter of the Fiscal Year 2025/26, involving a total of 26 officers. The most significant expense was a trip to Kampala for the EALASCA games, which took place from February 22nd to March 1st, 2025. This single trip involved 23 officers and cost Kshs.11,310,898. During the same EALASCA games period, one other officer also travelled to Kampala, incurring an expense of Kshs.228,080. Additionally, two officers travelled to Nigeria between September 5th and 11th, 2025, to attend the Annual PBO meeting, at a total cost of Kshs.400,000.

3.11.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.174.57 million as FIF, which was 14 per cent of the annual target of Kshs.1.24 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2022. The County has however, not developed the regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.223.23 million, as shown in Table 3.130

Table 3.130: Kakamega County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	966,240,000	79,870,141	8
2.	Level 4 Hospital	15	570,443,977	90,357,722	16
3.	Level 3 Facility	59	89,000,000	20,451,000	23
4.	Level 2 Facility	122	39,400,000	32,549,000	83
	Total		**1,665,083,977**	**223,227,863**	13

***Source: Kakamega** County Treasury*

Considering the table above, the expenditure performance of Kakamega County Health Facilities in FY 2025/26 shows that an Approved Budget of Kshs.1,665,083,977 resulted in an Actual Expenditure of Kshs.223.23 million, leading to an overall budget absorption rate of 13. The majority of the budget was allocated to the high-level facilities, with the 1 Level 5 Hospital receiving Kshs.966,240,000, and the 15 Level 4 Hospitals receiving Kshs.570,443,977. In contrast, the 59 Level 3 Facilities and 122 Level 2 Facilities were allocated significantly smaller portions, at Kshs.89,000,000 and Kshs.39,400,000, respectively.

Analysis of absorption rates across the facility tiers reveals a clear inverse relationship between the size of the allocation and the utilisation rate. The Level 5 Hospital and Level 4 Hospitals, which commanded the largest budgets, recorded the lowest expenditure rates at 8 per cent and 16 per cent respectively. Conversely, the smaller facilities demonstrated higher efficiency: Level 3 Facilities achieved a 23 per cent absorption rate, and the 122 Level 2 Facilities, despite having the smallest total budget, utilised their funds most effectively, recording the highest performance with an 83%absorption rate.

3.11.14 Development Expenditure

In the review period, the County reported spending Kshs.180.90 million on development programmes, representing an increase of 8 per cent compared to FY 2024/25, when the County spent Kshs.167.26 million. Table 3.131 Table 3.57summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to improved disbursement of national sharable revenue by National Treasury.

Table 3.131: TKakamega County, List of Development Projects with the Highest Expenditure

No	Sector	Project Name	Project Location	Contract sum (Kshs)	Cumulative project expenditure as of 30th Sep 2025 (Kshs.)
1	Transport and Infrastructure	Major Roads- Ingotse- Navakholo Chebuyusi in Navakholo	Navakholo	100,000,000	61,402,828
2	Agriculture	National Agricultural Value Chain Development Project (NVCDP)- Commercialisation of five value chains (Dairy, Poultry, Apiculture, Avocado and Banana)	County Wide	151,515,152	108,427,702
3	Agriculture	Transfer to KDDC- Completion Smart Farms	County Wide	35,000,000	8,750,000
4	Water and Environment	Climate Change Management	County Wide	553,132,836	2,322,700
Total				839,647,988	180,903,230

Source: *Kakamega County Treasury*

Table 3.131 show a significant variance in utilisation rates, resulting in an overall expenditure of Kshs.180.90 million against a combined Contract Sum of Kshs.839.65 million, yielding an aggregate utilization rate of only 22 per cent. While the National Agricultural Value Chain Development Project (NVCDP) and the Major Roads project demonstrated strong performance, utilizing 72 per cent and 61 per cent of their respective contracts, the overall rate is heavily suppressed by the Climate Change Management project. This single project holds the largest commitment (Kshs.553.13 million) but has only recorded an expenditure of Kshs.2.32 million, translating to a critically low utilisation rate of less than 1 per cent.

The County did not disclose on stalled projects as of 30th September 2025.

3.11.15 Budget Performance by Department

Table 3.132 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.132: Kakamega County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Millions)		Exchequer Issues (Kshs. Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,376	-	110	-	323	-	292	-	23	-
Agriculture, Livestock, Fisheries & Co-operatives	74	619	15	9	8	117	52	1,339	10	19
County Public Service Board	26	-	4	-	0	-	14	-	2	-
Education, Science & Technology	292	444	0	-	0	-	100	-	0	-
Finance and Economic Planning	808	85	23	-	26	-	115	-	3	-
Health Services	1,104	579	111	-	41	-	37	-	4	-
ICT, E-government & Communication	74	121	2	-	7	-	404	-	9	-
Lands, Housing, Urban Areas and Physical Planning	322	315	55	-	15	1	28	-	5	0
Office of the Governor	339	-	28	-	5	2	19	-	2	-
Public Service and Administration	6,792	742	1,269	-	1,545	3	122	-	23	0
Social Services, Youth & Sports	542	255	96	-	97	4	100	-	18	2
Trade, Industrialization & Tourism	48	663	0	-	1	5	221	-	1	1
Transport, Infrastructure, Public Works and Energy	65	1,540	1	81	1	61	118	76	1	4
Water, Environment, Forestry and Natural Resources	66	864	0	44	1	2	522	5	2	0
Total	**11,927**	**6,227**	**1,714**	**134**	**2,069**	**196**	**121**	**147**	**17**	**3**

***Source**: Kakamega County Treasury*

Analysis of expenditure by departments shows that the Department of Agriculture, Livestock, Fisheries & Co-operatives recorded the highest absorption rate of development budget at 19 per cent, followed by the Department of Transport, Infrastructure, Public Works and Energy at 4 per cent. The Department of Public Service and Administration and the County Assembly had the highest recurrent expenditure-to-budget ratio at 23 per cent, while the Department of Education, Science & Technology had the lowest.

Further analysis shows that the Kakamega County budget performance is characterised by critically low overall expenditure, signalling a severe systemic failure to implement the financial plan, particularly within capital projects. The total **Development Absorption Rate is only 3 per cent,** confirming that nearly all allocated funds intended for infrastructure, growth, and long-term service improvements are stalled, resulting in minimal tangible impact for the community. While the overall **Recurrent Absorption is also low at 17 per cent**, the failure is most pronounced in key service delivery departments: **Health Services** recorded only 4 per cent recurrent absorption. The only notable exception is the **Agriculture, Livestock, Fisheries & Co-operatives** department, which managed a 19 per cent development absorption rate, demonstrating that limited capital progress is heavily concentrated in the agricultural sector while the majority of County government functions remain financially inactive.

3.11.16 Budget Execution by Programmes and Sub-Programmes

The reported program and sub-program reports revealed that some department totals were not aligned with the line budget and the Appropriation Act 2025. These departments include; social services, transport and water departments. Further the County treasury should build capacity in development and reporting on program based budgetting.

The budget execution data by programme and sub-programme highlights a severe dichotomy in performance between the recurrent and development expenditure lines.

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: the Sub Total for the Department of ICT, E-Government & Communication at 9.2 per cent Major Roads- Ingotse-NavakholoChebuyusi in Navakholo in the Road Bitumen Standards Program (Transport) at 0.6

per cent and Climate Change Management in the Department of Climate Change at 0.4 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: County Youth Service and Women Empowerment Program in the Department of Youth Development at 24.8 per cent Human Resource Management in the Department Public Service Adminstration at 23.7 per cent, Legislative Services in the County Assembly at 23.5 per cent, and Operations and Maintenance in the ICT, E-Government & Communication at 9.2 per cent of the budget allocation.

3.11.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 177 accounts in commercial banks, including 32 accounts for Health Facilities, 65 accounts for Vocational Training Centres, 80 accounts operated by Cunty Treasury for Established Funds, revenue accounts, special-purpose accounts (additional allocations), and Sub County administrative accounts.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 177 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.11.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 13th November 2025.

ii. The underperformance of own-source revenue at Kshs.240.37 million against an annual target of Kshs.2.20 billion, representing 11 per cent of the financial year target.

iii. Low development performance in the review period as the County incurred Kshs.180.90 million on development activities, achieving a 3 per cent absorption rate.

iv. The County is diverting funds duly approved by COB to other expenditures as shown in Table 3.132. In addition, the table reveals that there are significant expenditures of unspent funds from FY 2024/25 that were not refunded into the CRF account, some of which were in Special Purpose Accounts, resulting in actual expenditures exceeding the approved exchequer in several departments.

v. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Kakamega County Alcoholic Drinks Control Fund and County Assembly Car Loan & Mortgage Fund had lapsed, making them ineligible for further withdrawals.

vi. County Assembly Car Loan & Mortgage Fund Administrator failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The quarterly financial and non-financial report was not submitted to the CoB as of 15th October 2025.

vii. High level of trade payables, which amounted to Kshs.2.40 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury and non-submission of the trade payables repayment plan by the County Assembly.

viii. Use of manual payroll by the County Assembly. Personnel emoluments amounting to Kshs.26.92 million for 28 staff not onboarded into HRIS, 2 board members and 15 casual staff were processed through manual payroll, accounting for 2 per cent of the total County payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.

ix. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

x. The County reported revenue arrears of Kshs.1.26 billion comprising ordinary OSR of Kshs.1.07 billion, and FIF (SHA, CHIF and NHIF) of Kshs.193.38 million. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.

ii. The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.

iii. The County should implement strategies to increase development expenditures in the remaining period of FY 2025/26.

iv. The County Treasury should ensure they utilize funds on activities duly approved by COB during exchequer approval process and all unspent funds from the previous financial year are deposited into the CRF Account in line with Section 136 of the PFM Act 2012 unless exempted through an Act of parliament.

v. The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.

vi. The CECMF should follow up to ensure County Assembly Fund Administrator prepare and submit statutory reports in line with the PFM Act, 2012.

vii. The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade payables Action Plan should be enforced.

viii. The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.

ix. The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.

x. The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.

3.12. County Government of Kericho

3.12.1 Overview of FY 2025/26 Budget

The Kericho County Approved Budget for FY 2025/26 is Kshs.10.03 billion. It comprises Kshs.3.53 billion (35 per cent) and Kshs.6.51 billion (65 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.278.02 million (3 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.56 billion and a recurrent budget of Kshs.6.19 billion. The increase/in the budget was primarily attributed to the rise in Own Source Revenue Projections.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally of Kshs.7.18 billion (7 per cent), additional allocations of Kshs.1.26 billion (13 per cent), and Kshs.1.60 billion (16 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.133.

3.12.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.21 billion in revenue. The total revenue consisted of Kshs.1.15 billion from the equitable share of revenue raised nationally as well as own-source revenue (OSR) collection of Kshs.64.82 million. Additionally, the County had a cash balance of Kshs.1.33 million from FY 2024/25. The total OSR collection of Kshs.64.82 million included Facilities Improvement Financing (FIF) of Kshs.23.25 million, and Kshs.40.23 million from other OSR sources. Table 3.133 summarises the total revenue available to the County Government during FY 2025/26.

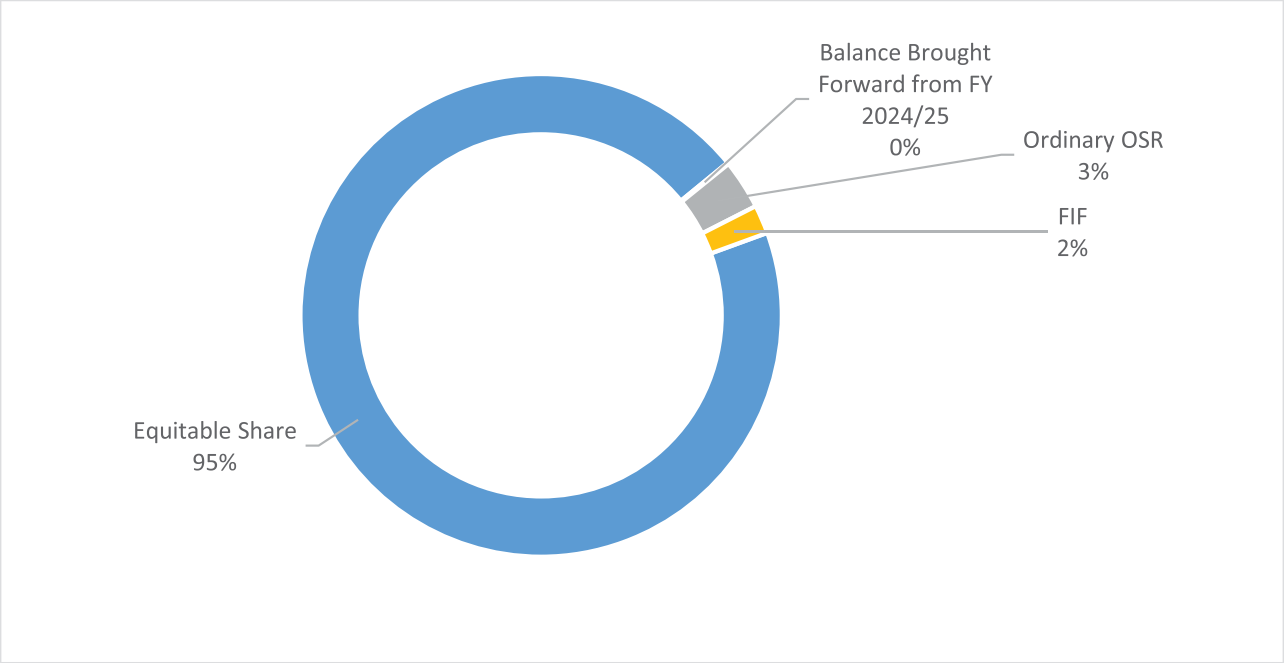
Table 3.133: Kericho County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	7,178,668,356	1,147,063,071	16
Sub-Total	**7,178,668,356**	**1,147,063,071**	**16**
B. Additional Allocations			
Doctor Salary Arrears	43,439,856		-
County Aggregated Industrial Parks	250,000,000		-
County health promoters	45,690,000		-
DANIDA FUND	8,670,000		-
Kenya Devolution Support Project 11 (World Bank)	37,500,000		-
Kenya Devolution Support Project 11 (World Bank)UDG	352,500,000		-
Kenya Urban Support Program UDG (SIDA)	43,550,249		-
Kenya Urban Support Program UIG (SIDA)	35,000,000		-
FLOCCA Grants to support climate change CCIR	203,392,898		-
IDA National Agricultural Value Chain Devt Project(NAVCDP)	231,250,000		-
SWEDEN Kenya Agricultural Business Dev't Project(K-ABDP)	10,918,919		-
Sub-Total	1,261,911,922	0	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	870,133,811	40,238,918	4
Balance b/f from FY2024/25	-	1,334,666	-
Balance at CRF as at End of FY 2024/25		1,065,014	-
County Executive Refund to CRF		245,863	-
County Assembly Refund to CRF		23,788	-
ii. Facility Improvement Fund (FIF)	724,245,582	23,252,713	3
SHIF	724,245,582	23,252,713	3
Sub-Total Other Sources	1,594,379,393.00	64,826,296.20	4
Grand Total	**10,034,959,671.00**	**1,211,889,367.20**	**12**

Source: *Kericho County Treasury*

Figure 64 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

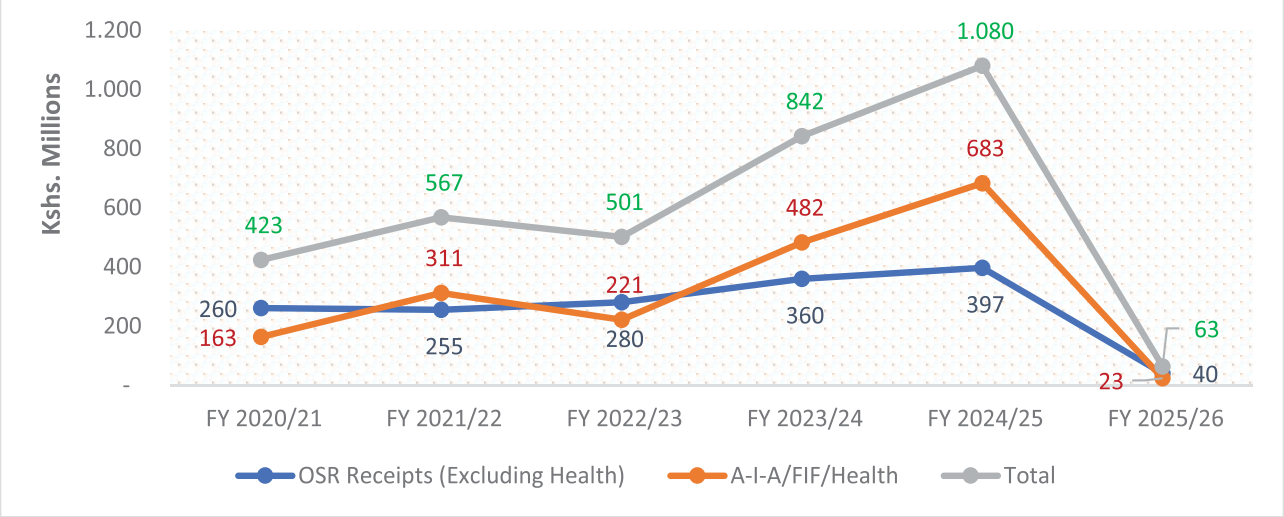
Figure 64: Kericho County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kericho County Treasury*

The equitable share of revenue raised nationally, OSR, and FIF contributed 95 per cent, 3 per cent, and 2 per cent, respectively, of the total receipts for the reporting period.

Figure 65: Kericho County Trend in Own-Source Revenue Collection.

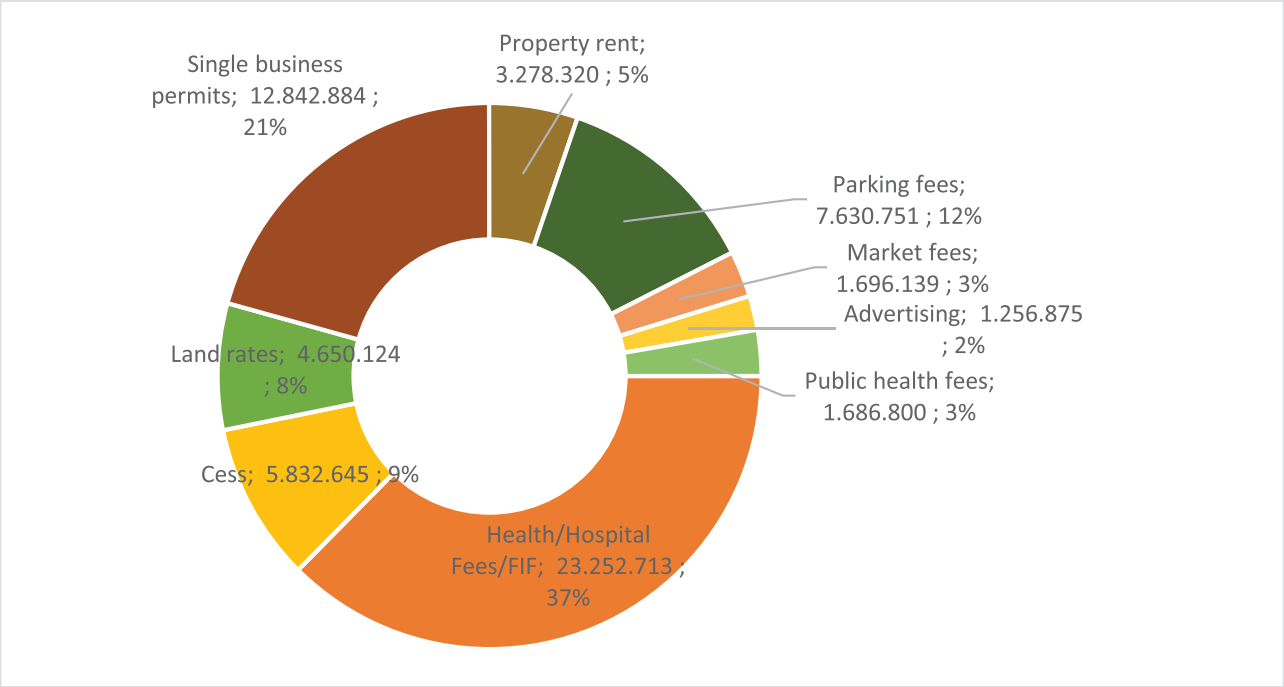


Source: *Kericho County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.64.82 million from its revenue sources, including FIF 4 per cent of the annual target and 6 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR receipts are shown in Figure 66.

Figure 66: Kericho County Top Own Source Revenue Streams in the First Quarter of FY 2025/26.



Source: Kericho County Treasury

As shown in Figure 66, the highest revenue stream, at Kshs.23 million, was from Health/Hospital Fees/FIF, accounting for 36 per cent of the total OSR receipts. The County Government indicated that it has automated 13 out of 15 revenue streams.

3.12.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.198.55 million, this amount increased to Kshs.198.55 million as of 30th September 2025. Table 3.134 presents a breakdown of the County's revenue arrears.

Table 3.134: Kericho County Revenue Arrears as of 30 September 2025

Revenue Stream	Revenue Arrears as of 30 June 2025 (Kshs.)	Progress made in Q1 FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
		Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in Q1 FY 2025/26 (Kshs)	
	a	b	c	d	f=a-b-c+d
Ordinary Own Sources of Revenue	198,550,055	-	-	-	198,550,055
Total	**198,550,055**	**-**	**-**	**-**	**198,550,055**

Source: Kericho *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.198 million. The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include the Issuance of business permits upon clearance of land rates and the Issuance of eviction notices.

3.12.4 Borrowing by the County

The County did not have any borrowing as of 30th September 2025.

3.12.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.413.01 million from the CRF account during the reporting period, which was (100 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.378.48 million was towards employee compensation and Kshs.34.52 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 8 per cent was for domestic travel and 1 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.29.66 million and included Kshs.0 million for the County Executive and Kshs.29.66 million for the County Assembly. The foreign exchequer totalled Kshs.3.26 million, comprising Kshs.0 million for the County Executive and Kshs.3.26 million for the County Assembly.

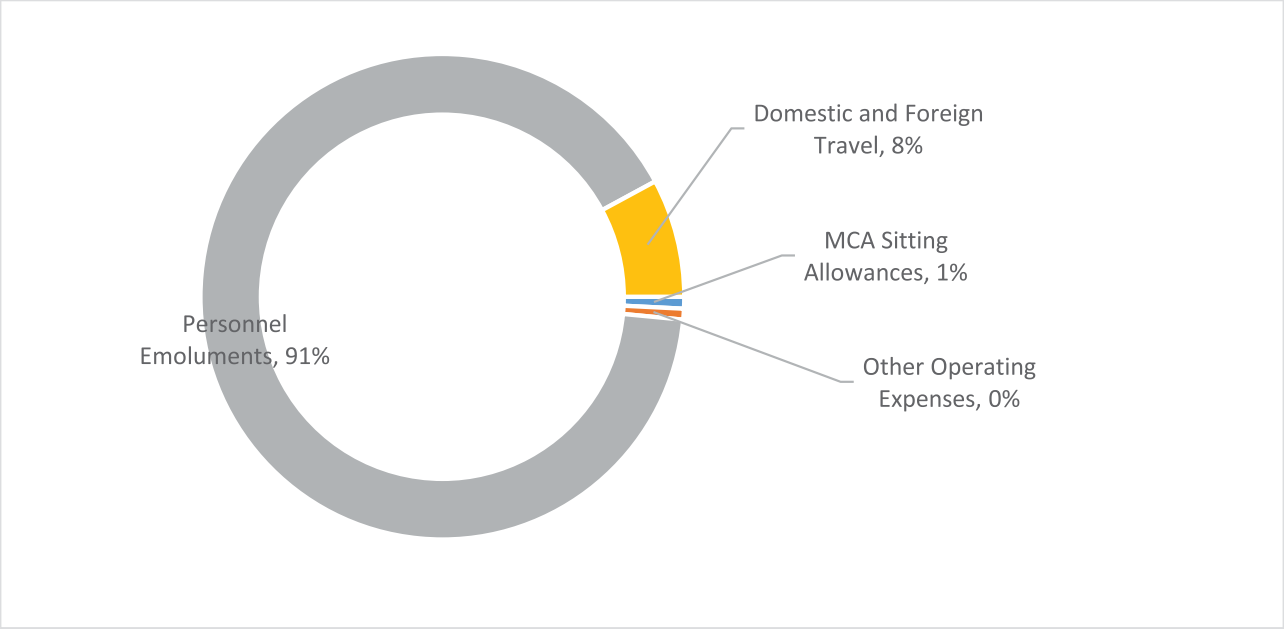
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.623.44 million.

3.12.6 Expenditure Review

The County spent Kshs.413.01 million on recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised nil for development programmes and Kshs.413.01 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of zero per cent, while recurrent expenditure represented 6 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 67: Kericho County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Kericho *County Treasury*

As shown in Figure 67, the highest expenditure categories were Personnel Emoluments and Domestic and Foreign Travel, which contributed 91 per cent and 8 per cent of the total expenditure for the reporting period.

3.12.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.2.04 billion. This amount included Kshs.2.03 billion from the County Executive and Kshs.13.20 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.661.29 million for recurrent expenditures and Kshs.1.40 billion for development expenditures.

During the reporting period, the County Executive and County Assembly did not settle any outstanding trade payables. Table 3.135 provides additional details of trade payables.

Table 3.135: Kericho County Trade Payables as of 30th September 2025

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	County Executive	1,367,004,160	661,291,275	2,028,295,435
	County Assembly	13,206,900	-	13,206,900
	Total	1,380,211,060	661,291,275	2,041,502,335
Outstanding trade payables as of 30 September 2025 (Kshs.)	County Executive	1,367,004,160	661,291,275	2,028,295,435
	County Assembly	13,206,900	-	13,206,900
	Total	1,380,211,060	661,291,275	**2,041,502,335**

Source: *Kericho County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs 2,058 million and Kshs.13.20 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it failed to settle any trade payables during the review period.

Table 3.136 and Table 3.137 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs 2.02billion.

Table 3.136: Kericho County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**0**	**1,108,263,977**	**258,740,183**		**1,420,822,641**
Recurrent Trade Payables (Goods & Services)		509,131,540	102,867,237		611,998,777
Recurrent Trade Payables (Staff Claims)		49,292,498			49,292,498
Total Recurrent Trade Payables	0	**558,424,038**	**102,867,237**	-	**661,291,275**
Total Trade Payables	**0**	**1,666,688,015**	**361,607,420**	-	**2,028,295,435**
% of Total	**%**	**80%**	**20%**	-	**100%**

Source: *Kericho County Treasury*

Table 3.137: Kericho County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**0**	**13,206,900**	**0**	**0**	**13,206,900**
Total Trade Payables	**0**	**13,206,900**	**0**	**0**	**13,206,900**
% of Total	**%**	**100%**	**%**	**%**	**100%**

Source: *Kericho County Treasury*

Neither the Executive nor the Assembly settled payables in the review period; we urge them to adhere to their payable payment plan in the remaining period of FY 2025/26.

3.12.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.300.19 million for compensation of employees and did not report any expenditure for operations and maintenance, and development activities. Similarly, the County Assembly spent Kshs.78.29 million on compensation of employees, Kshs.34.52 million on operations and maintenance, and nil for development activities, as shown in Table 3.138.

Table 3.138: Kericho County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,694,826,855**	**811,439,308**	300,189,693	112,827,100	5	14
Compensation of Employees	3,702,884,024	411,066,462	300,189,693	78,298,200	8	16
Operations and Maintenance	1,991,942,831	400,372,846	0	34,528,900	0	12
Development Expenditure	**3,455,815,948**	**105,170,894**	**0**	**0**	**0**	**0**
Total	**9,150,642,803**	**916,610,202**	**300,189,693**	**112,827,100**	**3**	**4**

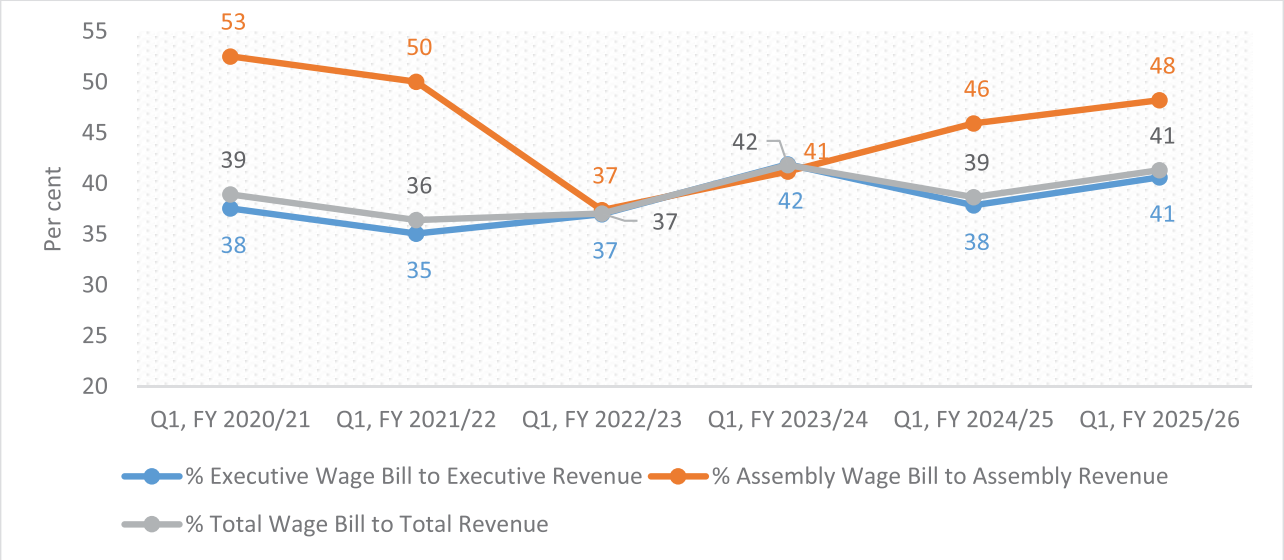
***Source**: Kericho County Treasury*

3.12.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.378.48 million. The percentage of compensation of employees to revenue was 30 per cent. Of this total, Kshs.183.55 million was related to Health Sector employees, which accounted for 50.42 per cent of the overall employees' compensation.

Figure 68 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 68: Percentage of Employee Compensation to Total Revenue Received.



Source: Kericho County Treasury

Figure 68 illustrates that the County Executive allocated between 38 per cent and 42 per cent of revenue for employee emoluments, indicating that funds were available for other activities. On the other hand, the County Assembly allocated between 53 per cent and 37 per cent of its revenue to settle employee compensation.

Further analysis indicated that PE costs amounting to Kshs.333.54 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.45.02 million was processed through manual payroll, which accounted for 12 per cent of the total PE cost.

The manual payroll comprised salaries for staff not onboarded into the Human Resource Information System (HRIS), salaries for 25.91 million for casual staff, 2.29 million top-up allowances for security personnel, 9.16 million gratuity remittances to pension schemes for staff on contract, and 7.65 million LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.139.

Table 3.139: Breakdown of Kericho County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for casual staff	25,916,834
	Top-up Allowances for security officers	2,290,501
	LAPTRUST/LAPFUND Pension Contributions	7,659,221
	Gratuity for contract staff-ward staff	2,044,140
	Gratuity for contract staff-Mcas	2,943,162
	Gratuity for contract staff-executive	4,173,827
	Total	**45,027,686**

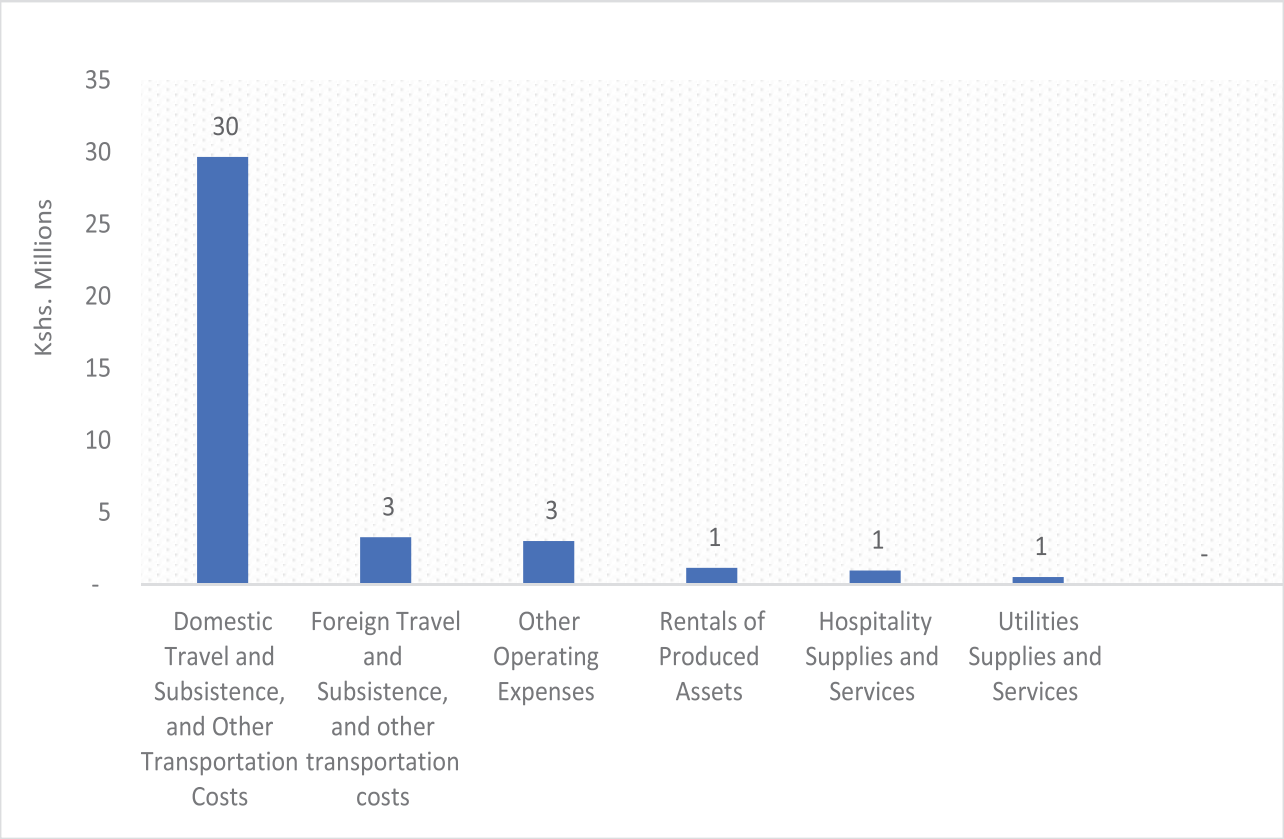
Source: Kericho County Treasury

The County Assembly spent Kshs.3.28 million on committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.29.3 million. The average monthly sitting allowance was Kshs.22,790 per MCA. The County Assembly has 16 House Committees.

3.12.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.34.52 million on operations and maintenance. Figure 69 summarises the Operations and Maintenance expenditure by major categories.

Figure 69: Kericho County, Operations and Maintenance Expenditure by Major Categories



Source: *Kericho County Treasury.*

3.12.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.3.01 million under "other Operating expenses" translates to 9 per cent of the cumulative operations and maintenance expenditure of Kshs.34.52 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.140.

Table 3.140: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211399	Debt Resolution	8,500,000	
2211301	Bank Service Commission and Charges	100,000	
2211305	Contracted Guards and Cleaning Services	33,344,168	
2211306	Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	3,778,040	
2211308	Legal Dues/fees, Arbitration and Compensation Payments	7,000,000	
2211310	Contracted Professional Services	1,485,824	
2211323	Laundry Expenses	100,000	
2211324	Master plan for health facilities	5,000,000	
2211325	Ward Office Expenses	13,820,000	3,010,000
	Total	**73,128,032**	**3,010,000**

Source: *Kericho County Treasury*

3.12.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.353 million to County-Established funds in FY 2025/26, or 3.02 per cent of the County's overall budget. Further, the County allocated Kshs.10 million to the Emergency Fund (.1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.141 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.141: Performance of Kericho County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Kericho County Car Loan	2015	10,000,000			44,780,000	yes
	Kericho County Emergency Fund	2014	10,000,000			346,200,113	yes
	Kericho County Climate Change Fund	2021	303,142,898			384,391,024	yes
	Kericho County Mortgage fund	2015	20,000,000			236,318,000	yes
	Kericho County Bursary Fund	2014	0			1,135,280,039	yes
		County Assembly Established Funds					
	Kericho County Assembly Staff Car Loan and Mortgage Fund	2014	10,000,000			225,922,268	yes
	Kericho County Assembly Members Car Loan and Mortgage Fund	2014	0			269,000,000	yes
	Total		353,142,898	0	0	2,641,891,444	

Source: Kericho *County Treasury*

During the reporting period, the CoB received quarterly financial reports from all Fund Administrators, as indicated in Table 3.141, as required by Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the Coun-

ty Assembly. In FY 2025/26, the CoB established that the lifespan of **the 6 Fund** had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.12.13 County Corporations

The County has two County corporations, which were allocated Kshs 2 million in FY 2025/26 as shown in Table 3.142.

Table 3.142: Performance of Kericho County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	KEWASCO	2,008,143.00			
2	Kabianga Tea Farm				
	Total	**2,008,143.00**			

Source: *Kericho County Treasury*

3.12.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.29.66 million, incurred entirely by the County Assembly. Expenditure on foreign travel amounted to Kshs.3.26 million incurred entirely by the County Assembly. Expenditure on foreign travel is summarised in Table 3.143.

Table 3.143: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly	3	14th-19th September 2025	Legislative summit in the United Kingdom from 14th to 19th September 2025	United Kingdom	3,260,542
Total					

Source: Kericho County Treasury and Kericho County Assembly

3.12.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.23.52 million as FIF, which was 3.21 per cent of the annual target of Kshs.724.24 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.116.16 million, as shown in Table 3.144.

Table 3.144: Kericho County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Kericho County Referral Hospital	1	322,046,493.63	29,154,460.50	4
2.	Kapkatet Sub County Hospital	1	216,863,016.99	40,696,886.75	6
3.	Sigowet Sub County Hospital	1	66,589,647.31	13,869,832.00	2
4	Londiani Sub County Hospital	1	62,044,201.01	17,033,525.00	2
5	Fortenan Sub County Hospital	1	16,158,875.86	4,390,501.00	1
6	Roret Sub County Hospital	1	32,491,106.73	7,646,220.00	1
7	Kipkelion Sub County Hospital	1	8,052,240.47	3,375,097.00	1
	Total		**724,245,582.00**	**116,166,522.25**	16.04%

Source: *Kericho County Treasury*

3.12.16 Development Expenditure

In the review period, the County reported spending nil on development programmes. The decline in development expenditure was attributed to introduction of the EGP system and its users.

The County reported 20 stalled development projects as of 30 September 2025, with an estimated value of Kshs.321 million, of which Kshs.95.3 has already been paid. The stalled projects are shown in Table 3.145.

Table 3.145: Kericho County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 June 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Proposed construction of generator house and supply, delivery, installation and commissioning of a generator at sosiot health centre	Waldai	5,300,220.00	0	5,300,220.00	0	The contractor abandoned the site without any communication
Proposed remodeling of surgical theatre at fort ternan sub-County hospital	Chilchila	5,821,108.75	0	5,821,108.75	0	The contractor never reported to site
Proposed supply and delivery of cardiothoracic consumables at Kericho County Referral Hospital	Kipchebor	4,502,732.00	0	4,502,732.00	0	Failed to supply the consumables
Kiboybei Water Supply	Kapsoit	36,731,977.51	5,873,809.00	30,858,168.51	16%	Land issues
Solait water project		103,545,774.30	13,502,388	90,043,386.30	13%	Community Conflict with the contractor on land issues
Construction and equipping of the theatre at Ainamoi Health Centre	Ainamoi	14,136,359.00	8,626,128.00	5,510,231.00	61%	The contractor abandoned the site without communication with the client
Kaboloin water project, lower part of Kapsaos	Kapsaos	15,255,327.90	12,036,825.40	3,218,502.50	79%	Technical hitch that requires redesigning
Supply and installation of 2 disc pulper machine	Kaplelartet	2,400,000	0	2,400,000.00	0%	Contractor did not supply
Construction of 100m3 masonry water tank	Chilchila ward	1,897,150	0	1,897,150.00	0%	Contractor left site
Construction of an ECDE classroom at Rwandet	Kisiara	898,131	0	898,131.00	0%	Lack of Capacity by Contractor
Construction of an ECDE toilet at Tilolwet	Londiani	759,510	0	759,510.00	0%	Lack of Capacity by Contractor
Construction of an ECDE classroom at Kipteran	Soin	1,082,980	0	1,082,980.00	0%	Lack of Capacity by Contractor
Construction of an ECDE toilet at Litiik	Tebesonik	724,316	0	724,316.00	0%	Hostile Community
Construction of a toilet at Leldet VTC	Kamasian	860,520.48	0	860,520.48	0%	Lack of Capacity by Contractor
Construction of a toilet at Chepseon VTC	Chepseon	916,400	0	916,400.00	0%	Lack of Capacity by Contractor
Acquisition of land for sweet potato pack house	Kaplelartet	1,500,000.00	0	1,500,000.00	0%	Family dispute on who owns the land and succession issues

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 June 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Acquisition of land for Chebulu Conservancy	Kaplelartet	5,000,000.00	0	5,000,000.00	0%	Valuation costs conflict
Kipkobob Water Project	Chemosot	102,407,437.61	50,034,908.82	52,372,528.79	49%	Lack of budget allocation
Fabrication of fire engine	HQ	9,272,671	0	9,272,671.00	0%	The truck was not registered (mechanical engineer report not availed)
Bureti Fire Station	Kapkatet	8,248,375.00	5,320,615	2,927,760.00	65%	The contractor has abandoned site

Source: Kericho County Treasury

3.12.17 Budget Performance by Department

Table 3.146 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.146: Kericho County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	811.44	105.17	72.38		112.83	-	155.9	-	13.9	-
Public Service & Administration	511.66	388.45	14.14		14.14	-	100.0	-	2.8	-
Office Of the Governor & Deputy Governor	147.33	0.00	6.08		6.08	-	100.0	-	4.1	-
County Public Service Board	61.34	0.00	1.02		1.02	-	100.0	-	1.7	-
Finance & Economic Planning	364.65	118.07	11.33		11.33	-	100.0	-	3.1	-
Health Services	3,202.17	422.36	183.56		183.56	-	100.0	-	5.7	-
Agriculture, Livestock & Cooperative Development	168.12	555.15	11.09		11.09	-	100.0	-	6.6	-
Education, Libraries, Culture & Social Services	671.97	282.06	50.61		50.61	-				
Public Works, Roads & Transport	95.69	657.60	2.77		2.77	-				
Trade, Industrialization, Innovation, Tourism &Wildlife	64.66	334.58	2.84		2.84	-				
Water, Energy, Natural Resources & Environment	178.63	472.95	6.51		6.51	-				
Land, Housing & Physical Planning	148.46	89.81	6.87		6.87	-	100.0	-	4.6	-
Information, Communication & E-Government, Youth Affairs, Gender & Sports	80.14	102.50	3.37		3.37	-	100.0	-	4.2	-
	6,506.27	**3,528.69**	**372.57**	**0.00**	**413.02**	**-**	**110.9**		**6.3**	

Source: *Kericho County Treasury*

Analysis of expenditure by departments shows that the County Assembly recorded the highest absorption rate of recurrent budget at 14 per cent, followed by the Department of Agriculture, Livestock & Cooperative Development at 6.6 per cent.

3.12.18 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were Speaker's office in the Department of County Assembly at 16 per cent, Clerk's Office in the Department of County Assembly at 13 per cent, Crop Development and Management in the Department of Agriculture, Livestock And Fisheries at 14 per cent, of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.12.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 245 accounts in commercial banks, including 184 accounts for Health Facilities, 26 accounts for Vocational Training Centres, 11 accounts for Established Funds, 1 revenue accounts, 14 special purpose accounts (additional allocations), and 7 accounts for municipalities.

The County Treasury submitted copies of authorisation letters to the Controller of Budget for opening all commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.12.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 6th November, 2025.
ii. The underperformance of own-source revenue at Kshs.40 million against an annual target of Kshs.870 million, representing 5 per cent of the financial year target. If performance is below 25 per cent of the annual target.
iii. Low development performance in the review period as the County incurred nil on development activities, achieving a zero per cent absorption rate. If performance is below 25 per cent of the annual target.
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Kericho County Emergency Fund, emergency Fund and mortgage Fund were not submitted to the CoB as of 15 July 2025.
v. High level of trade payables, which amounted to Kshs.2.02 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vi. Use of manual payroll. Personnel emoluments amounting to Kshs.45 million for 135 staff not onboarded into HRIS and 89 casual staff were processed through manual payroll. Manual payroll is prone to abuse and may result in the loss of public funds.
vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
viii. The County reported OSR arrears of Kshs.198.55 million. These revenue arrears limited funding for County activities.

ix. The County has stalled projects valued at Kshs.321.26 million, for various reasons. This implies delays in achieving desired objectives and potential loss of value for money.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vi. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
viii. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*
ix. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is essential to start projects only with secured funding, along with maintaining a register for multi-year obligations to align projects with the budget.*

3.13. County Government of Kiambu

3.13.1 Overview of FY 2025/26 Budget

The Kiambu County Approved Budget for FY 2025/26 is Kshs.23.81 billion. It comprises Kshs.7.90 billion (33 per cent) and Kshs.15.91 billion (67 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.326.39 million (one per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.7.96 billion and a recurrent budget of Kshs.15.52 billion. The increase in the budget was primarily attributed to the rise in Trade Payables.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.13.07 billion (54 per cent), additional allocations of Kshs.2.75 billion (12 per cent), Kshs.403 million as cash balance brought forward from FY 2024/25, and Kshs.7.98 billion (34 per cent) to be generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.147.

3.13.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.3.41 billion in revenue. This amount was an increase of 15 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.90 billion. The total revenue consisted of Kshs.2.09 billion from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.920.61 million. Additionally, the County had a cash balance of Kshs.403.20 million from FY 2024/25. The total OSR collection of Kshs.920.61 million included Facilities Improvement Financing (FIF) of Kshs.330.32 million, and Kshs.590.29 million from other OSR sources. Table 3.147 summarises the total revenue available to the County Government during FY 2025/26.

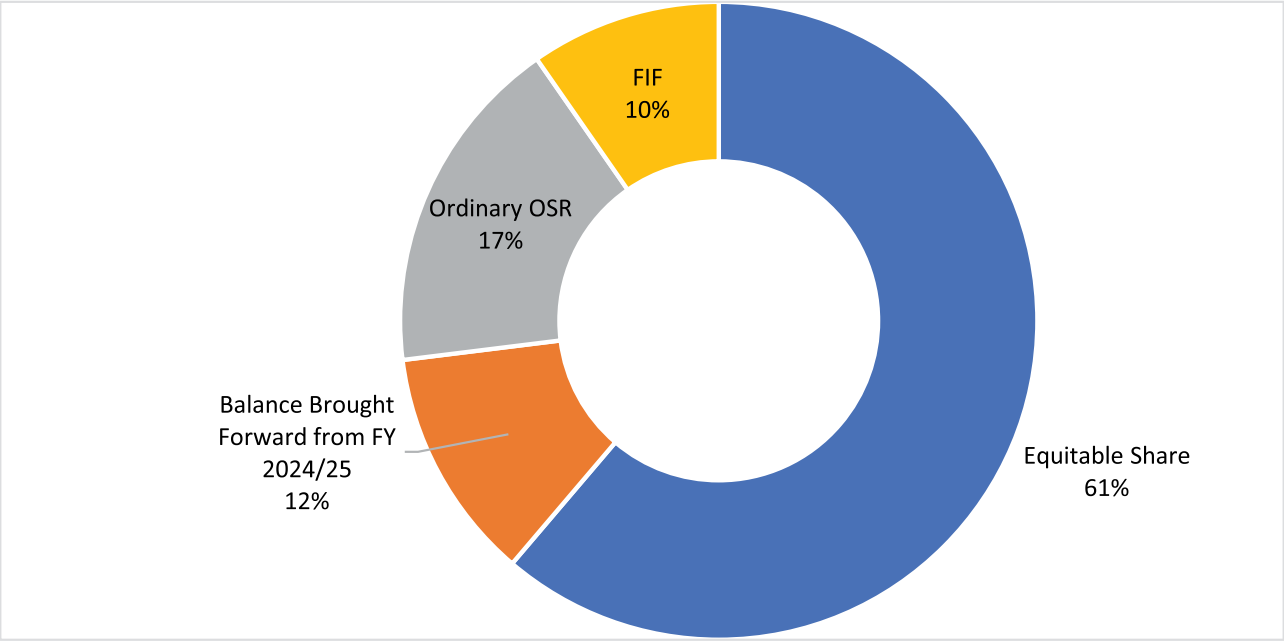
Table 3.147: Kiambu County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	13,071,817,986	2,090,709,554	16
Sub-Total	**13,071,817,986**	**2,090,709,554**	**16**
B. Additional Allocations			
IDA (World Bank) Second Kenya Urban Support Project (KUSP)-Urban Development Grant (UDG)	1,331,482,863	0	-
IDA (World Bank) Second Kenya Devolution Support Program- Service Delivery & Investment grant (Level 2 Grant) (KDSP)	352,500,000	0	-
Conditional Grant for Road Maintenance Fuel Levy Fund	335,429,530	0	-
IDA(World Bank) National Agricultural Value Chain Development Project (NAVCDP)	151,515,152	0	-
IDA(World bank) Financing Locally-Led Climate Action Program- County climate Resilience Investment (FLLoCA-CCRI) Grant	125,000,000	0	-
Basic Salary Arrears for County Government Health workers	119,957,202	0	-
Conditional Grant for Industrial Park & Aggregation Centres Grant	105,263,158	0	-
Conditional Grant for Community Health Promoters (CHPs)	94,680,000	0	-
IDA (World Bank) Second Kenya Devolution Support Program- Institutional Grant (Level 1 Grant) (KDSP)	37,500,000	0	-
IDA (World Bank) credit - Kenya Urban Support Project (KUSP)-Urban institutional Grant (UIG)	35,000,000	0	-
IFAD- Aquaculture business development project ABDP	19,395,531	0	-
DANIDA - Primary Health Care in Devolved Context (PHDC)	14,527,500	0	-
IDA(World Bank) Financing Locally-Led Climate Action Program- County climate institutional support (FLLoCA-CCIS) Grant	11,000,000	0	-
Sweden- Kenya Agricultural Business Development Project (KABDP)	10,918,919	-	-
Unconditional Additional allocations from Mineral Royalties	5,697,644	0	-
Unconditional Additional allocations from Court Fines	5,084,684	0	-
World Bank credit: Kenya Informal Settlement Improvement Project (KISIP II)	-	-	-
Sub-Total	2,754,952,183	-	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	5,580,000,000	590,295,196	11
D. Balance b/f from FY2024/25	-	403,203,983	
E. Facility Improvement Fund (FIF)	2,400,000,000	330,317,216	14
Hospital Collections (FIF)	1,300,000,000	168,360,073	13
NHIF/SHA Rebates	800,000,000	120,765,943	15
Public Health	300,000,000	41,191,200	14
Sub-Total Other Sources	**7,980,000,000**	**1,323,816,395.38**	
Grand Total	**23,806,770,169**	**3,414,525,949**	**14**

Source: *Kiambu County Treasury*

The County has governing legislation on the operation of ordinary A-I-A and FIF, known as the Kiambu County Health Services Act of 2019. Figure 70 provides a detailed breakdown of Revenue, showing a breakdown of each shilling Received.

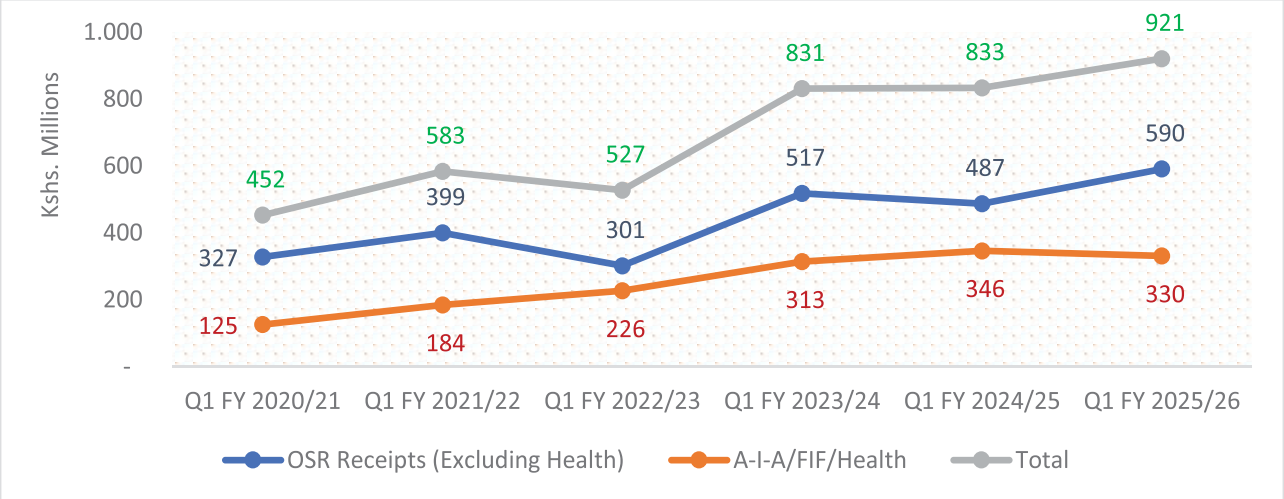
Figure 70: Kiambu County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kiambu County Treasury*

The equitable share of revenue raised nationally and OSR contributed 61 and 27 per cent, respectively, of the total Revenue for the reporting period. Figure 71 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 71: Kiambu County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



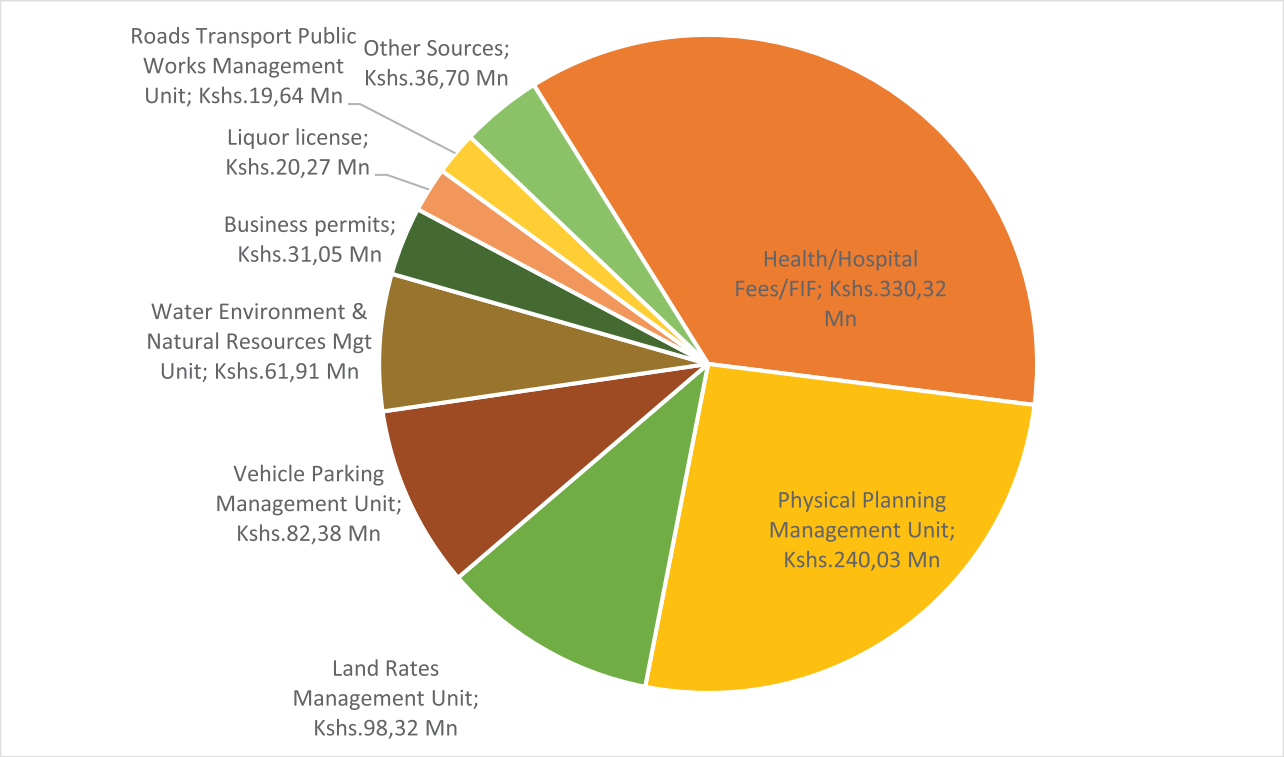
Source: *Kiambu County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.920.61 million from its revenue sources, including FIF. This amount was an increase of 11 per cent compared to Kshs.832.92 million realised in a similar period in FY 2024/25, and was 12 per cent of the annual target and 44 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to the integration of the ERP system of revenue collection with M-Pesa and the banking system, which has sealed the loopholes of revenue loss.

The revenue streams which contributed the highest OSR Revenue are shown in Figure 72.

Figure 72: Kiambu County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kiambu County Treasury

As shown in Figure 72, the highest revenue stream, at Kshs.330.32 million, was from FIF, accounting for 36 per cent of the total OSR Revenue. The County Government indicated that it has automated all revenue streams.

3.13.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.5.66 billion, this amount decreased to Kshs.5.61 million as of 30th September 2025. Table 3.148 presents a breakdown of the County's revenue arrears.

Table 3.148: Kiambu County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1st July 2025 (Kshs.)	Progress made in FY 2024/25			Revenue Arrears as of 30th September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in FY 2025/26 (Kshs)	Arrears earned during the FY 2025/26(Kshs)	
		A	B	C	D	E=A-B-C+D
A	Own Sources of Revenue					
1	Land rates	4,996,424,682	108,454	35,914,671	-	4,960,401,557
2	Property rent	183,772,924	-	-	-	183,772,924
3	SBP	-	-	-	-	-
	Sub-Total	**5,180,197,606**	**108,454**	**35,914,671**	-	**5,144,174,481**
B	Facility Improvement Fund (FIF)					
1	FIF	-	8,778,965	-		(8,778,965)
2	SHA/NHIF	474,858,767	-	-	-	474,858,767
	Sub-Total	**474,858,767**	**8,778,965**	-	-	**466,079,802**

Source: *Kiambu County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.5.61 billion, comprising Kshs.4.96 billion for Land Rates, Kshs.466.08 million for SHA and Kshs.183.77 million for Property Rent. The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include follow-ups and reinforcements.

3.13.4 Borrowing by the County

The County does not have any borrowing.

3.13.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.96 billion from the CRF account during the reporting period, which comprised Kshs.209.47 million (11 per cent) for development programmes and Kshs.1.74 billion (89 per cent) for recurrent programmes. An analysis of the recurrent exchequers released indicates that Kshs.1.06 billion was towards employee compensation and Kshs.691.23 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 8 per cent was for domestic travel foreign travel. The domestic travel exchequer amounted to Kshs.57.23 million and included Kshs.14.43 million for the County Executive and Kshs.42.80 million for the County Assembly.

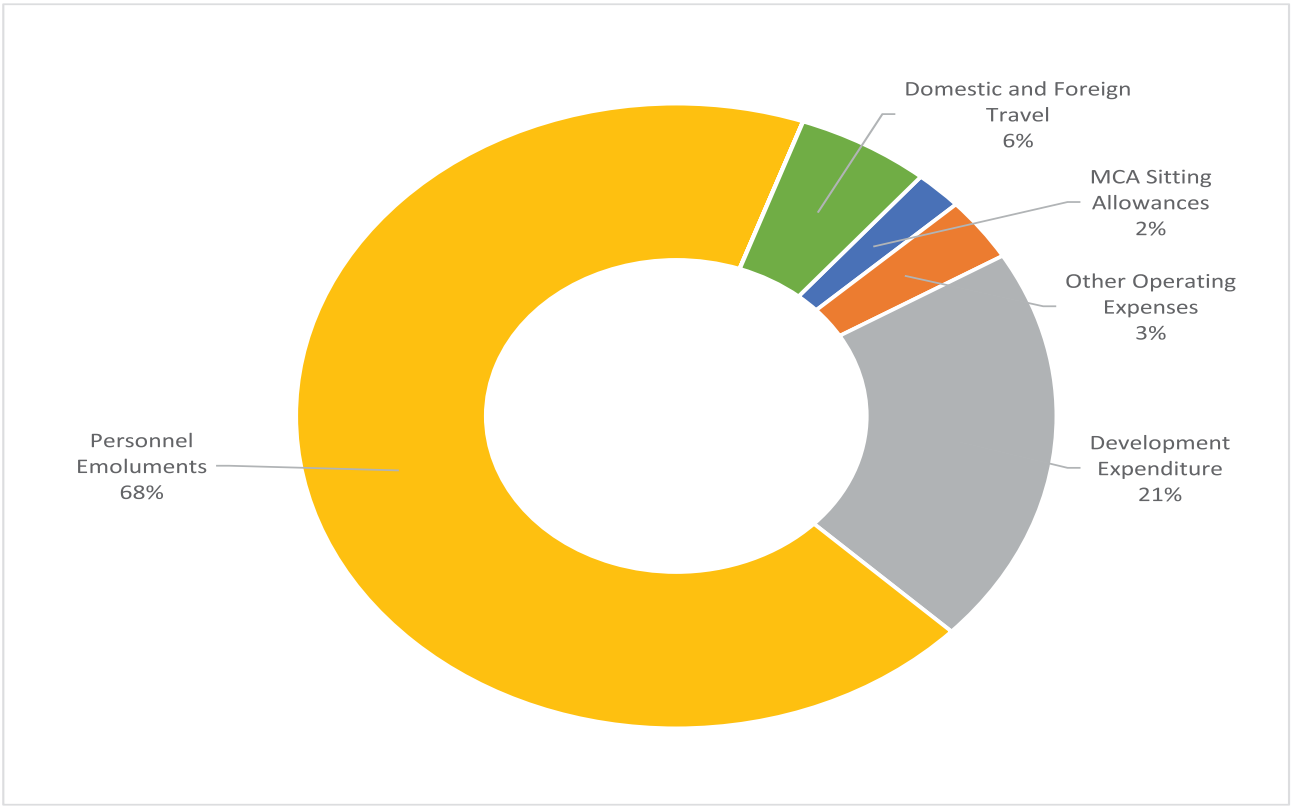
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.1.23 billion.

3.13.6 Expenditure Review

The County spent Kshs.1.80 billion on development and recurrent programmes in the reporting period. The expenditure represented 92 per cent of the total funds released by the CoB. It comprised Kshs.206.67 million for development programmes and Kshs.1.59 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 3 per cent, while recurrent expenditure represented 9 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 73: Kiambu County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Kiambu County Treasury*

As shown in Figure 73, the three highest expenditure categories were Personnel Emoluments, Development Expenditure, and Domestic Travel Expenditure, which contributed 68 per cent, 21 per cent, and 6 per cent of the total expenditure for the reporting period, respectively.

3.13.7 Settlement of Trade Payables

As of 1st July 2025, the County reported Trade Payables totalling Kshs.6.65 billion. This amount included Kshs.6.37 billion from the County Executive and Kshs.275.25 million from the County Assembly. The Trade Payables from the County Executive consisted of Kshs.3.29 billion for recurrent expenditures and Kshs.3.08 billion for development expenditures.

During the reporting period, the County Executive settled Trade Payables amounting to Kshs 111.13 million, which comprised 44.21million (40 per cent) for recurrent programmes and Kshs.66.92 million (60 per cent) for development programmes. On the other hand, the County Assembly did not settle any Trade Payables during the reporting period. The outstanding Trade Payables as of 30th September 2025 were Kshs.6.26 billion for the County Executive and Kshs.275.25 million for the County Assembly. Table 3.149 provides additional details of Trade Payables.

Table 3.149: Kiambu County Trade Payables as of 30th September 2025

	Trade Payables as of 1 July 2025 (Kshs.)	Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding Trade Payables as of 30 September 2025 (Kshs.)
	A	B	C	D=A-C
County Executive				
Recurrent	3,288,730,281	-	44,209,142	3,244,521,139
Development	3,081,483,028	-	66,916,153	3,014,566,875
Total	**6,370,213,308**	-	**111,125,294**	**6,259,088,014**
County Assembly				
Recurrent	244,037,087	33,236,165	-	244,037,087
Development	31,208,201	10,870,464	-	31,208,201
Total	**275,245,288**	**44,106,629**	-	**275,245,288**

Source: *Kiambu County Treasury*

The County Executive and the Assembly submitted a Trade Payables payment plan, committing to pay Kshs.300 million and Kshs.44.11 million, respectively, in Q1 of FY2025/26. The County did not adhere to this payment plan, as it cleared only Kshs.111.13 million for the Executive and nil for the Assembly.

Table 3.150 and Table 3.151 presents the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.6.54 billion.

Table 3.150: Kiambu County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	1,384,295,620	317,632,382	9,370,873	1,303,268,000	3,014,566,875
Recurrent Trade Payables (Goods & Services)	344,255,025	448,859,540	140,360	1,747,035,570	2,540,290,495
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	380,186,508	45,977,971		1,133,860	427,298,339
Recurrent Trade Payables (Staff Claims)	72,435,846	17,596,261		2,224,960	92,257,067
Total Recurrent Trade Payables	862,807,773	573,601,058	30,153,632	1,777,958,676	3,244,521,139
Total Trade Payables	2,247,103,393	891,233,440	39,524,505	3,081,226,676	6,259,088,014
% of Total	36	14	1	49	100

Source: *Kiambu County Treasury*

The total trade payables for the County executive departments over the years amounted to Kshs.6.26 billion which comprised of Kshs.3.01 billion for development and Kshs.3.24 billion for recurrent payables.

Table 3.151: Kiambu County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	644,069	20,902,891	-	9,661,241	31,208,201
Recurrent Trade Payables (Goods & Services)	65,930,394	61,167,286	30,013,272	27,564,286	**184,675,237**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	0	0	0	0	**0**
Recurrent Trade Payables (Staff Claims)		0	0	0	-
Total Recurrent Trade Payables	65,930,394	61,167,286	30,013,272	27,564,286	**184,675,237**
Total Trade Payables	**66,574,463**	**82,070,177**	**30,013,272**	**37,225,527**	**215,883,438**
% of Total	**31**	**38**	**14**	**17**	**100**

***Source**: Kiambu County Assembly*

The County Assembly had a cumulative of Kshs.215.88 million in trade payables of which Kshs.31.21 million were under development expenditure and Kshs.184.68 million for recurrent activities.

3.13.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.581.70 billion for compensation of employees, Kshs.853.30 million for operations and maintenance, and Kshs.206.67 million for development activities. Similarly, the County Assembly spent Kshs.100.01 million on compensation of employees, Kshs.57.23 million on operations and maintenance, and nil on development activities, as shown in Table 3.152.

Table 3.152: Kiambu County Summary of Budget and Expenditure by Economic Classification

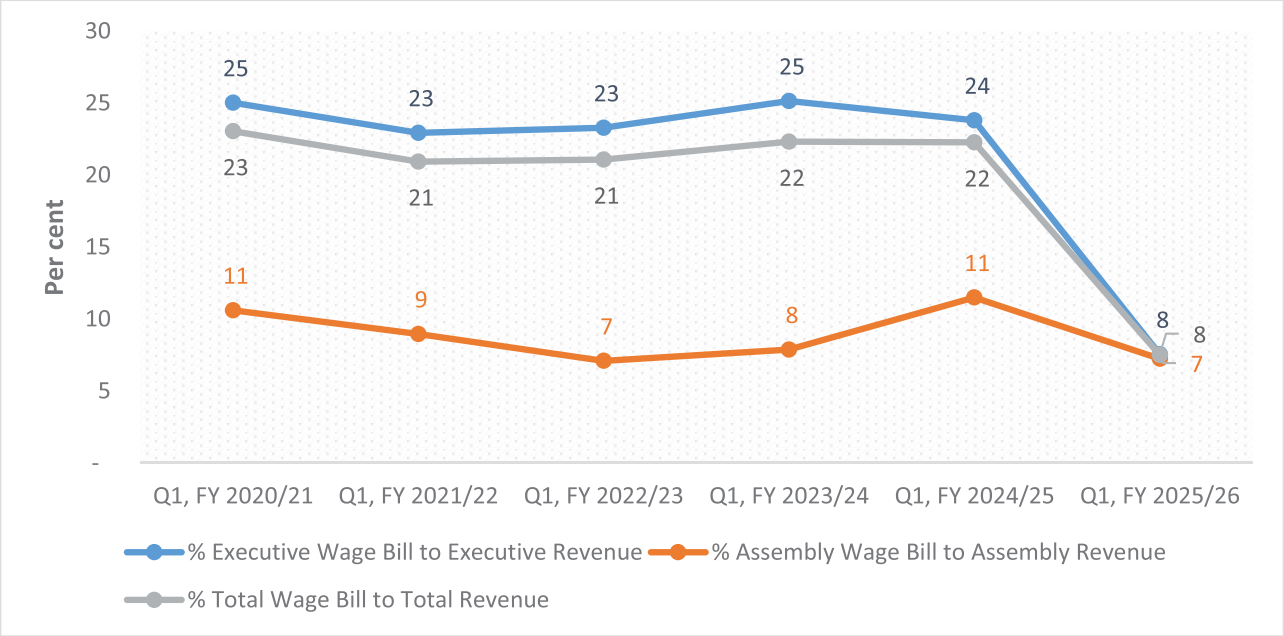
Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**15,911,121,868**	**1,885,362,517**	**1,434,996,177**	**157,231,637**	**9**	**8**
Compensation of Employees	8,474,331,044	602,946,331	581,698,160	100,006,411	**7**	**17**
Operations and Maintenance	7,436,790,824	1,282,416,186	853,298,017	57,225,226	**11**	**4**
Development Expenditure	**7,795,648,299**	**100,000,000**	**206,672,649**	-	**3**	**0**
Total	**23,706,770,167**	**1,985,362,517**	**1,641,668,826**	**157,231,637**	**7**	**8**

***Source**: Kiambu County Treasury*

3.13.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.681.70 million. The percentage of compensation of employees to revenue was 3 per cent. This expenditure on employee compensation shows a decrease of 41 per cent compared to the Kshs.1.15 billion reported in a similar period in FY 2024/25. Of this total, Kshs.294.05 million related to the Health Sector employees, which accounted for 51 per cent of the overall employees' compensation. The decrease in compensation to employees is due to the delay in payment of August and September salaries arising from the delayed release of national shareable revenue.

Figure 74: Percentage of Employee Compensation to Total Revenue Earned from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



***Source**: Kiambu County Treasury*

Figure 74 shows a decline in employee compensation against total revenue from 23 per cent in Quarter 1 of FY 2020/21 to 8 per cent in quarter 1 of FY 2025/26. The employee compensation incurred during the reporting period did not include personnel emoluments for the months of August and September, hence low expenditure compared to previous periods.

Further analysis revealed that PE costs totalling Kshs.625.19 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.56.52 million was processed through manual payroll, which accounted for 9 per cent of the total PE cost.

The manual payroll comprised salaries for 4220 staff not onboarded into the Human Resource Information System (HRIS), who are casual workers, top-up allowances for 346 security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.153.

Table 3.153: Breakdown of Kiambu County Manual Payroll

Category	County Executive	County Assembly	Total
Salaries for casual staff	55,731,341		55,731,341
Top-up Allowances for security officers	13,375,694		13,375,694
LAPTRUST/LAPFUND Pension Contributions	2,729,222	2,861,438	5,590,660
Gratuity for contract staff	8,761,796	250,864	9,012,660
Gratuity for members		5,248,500	5,248,500
Total	80,598,053	8,360,802	88,958,855

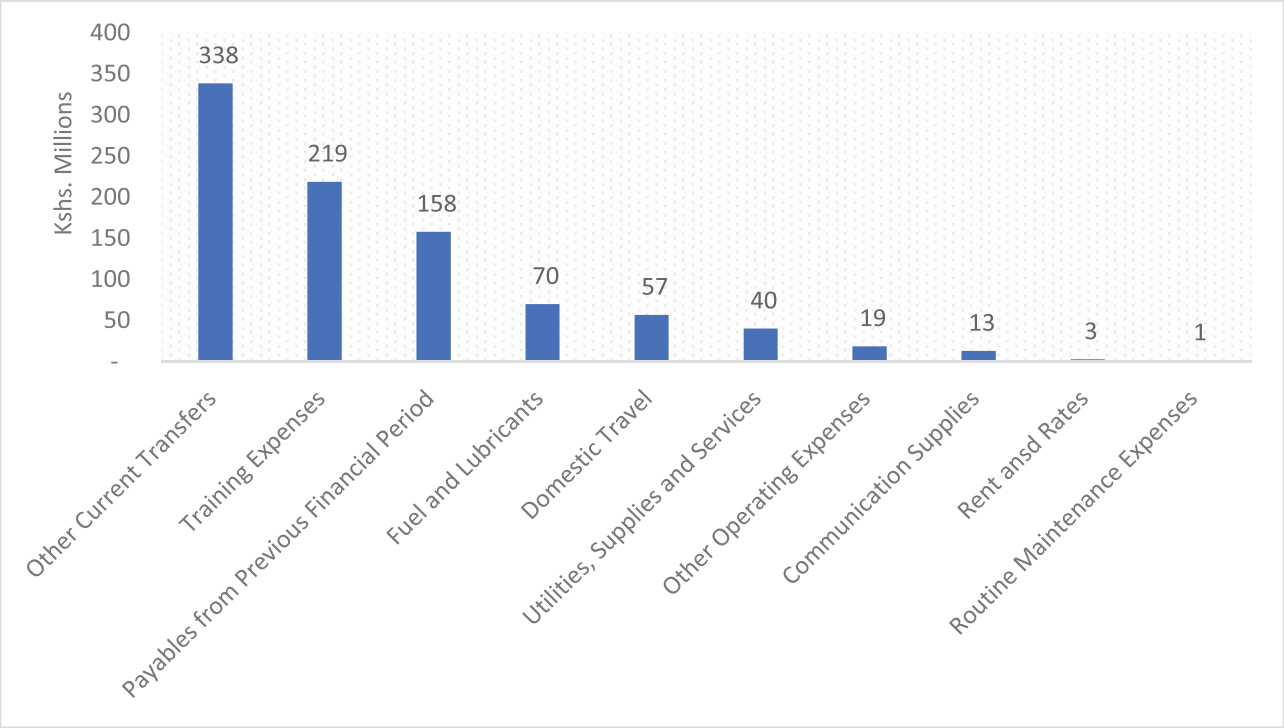
Source: Kiambu County Treasury

The County Assembly spent Kshs.20.35 million on committee sitting allowances for the 89 MCAs against the annual budget allocation of Kshs.75 million. The average monthly sitting allowance was Kshs.76,202 per MCA. The County Assembly has 23 House Committees.

3.13.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.910.52 million on operations and maintenance, representing an increase of 32 per cent compared to FY 2024/25, when the County spent Kshs.692.38 million. Figure 75 summarises the Operations and Maintenance expenditure by major categories.

Figure 75: Kiambu County, Operations and Maintenance Expenditure by Major Categories



Source: *Kiambu County Treasury*

3.13.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.18.72 million under "other Operating expenses" translates to 2 per cent of the cumulative operations and maintenance expenditure of Kshs.910.52 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.154.

Table 3.154: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211301	Bank Service Commission and Charges	75,020,600	11,393,026
2211308	Legal Dues/Fees, Arbitration	26,970,000	1,784,341
2211313	Security Operations	12,207,620	1,185,141
2211399	Other Operating Expenses-Others	102,264,972	3,540,816
2211309	Management Fees	46,200,000	795,800
2211306	Membership Fees, Dues and Subscriptions to Professional Bodies and Trade Unions	130,720	20,000
Total		**262,793,912**	**18,719,124**

Source: *Kiambu County Treasury*

A review of the other expense items listed in the table revealed that some expenditures with existing budget codes were instead charged under the "Other Operating Expenses, others" category. These include payment for catering services, refunds on air tickets, refunds of rent erroneously deducted from pay slips, and other similar expenses.

3.13.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.3.03 billion to County-Established funds in FY 2025/26, or 13 per cent of the County's overall budget. Furthermore, the County allocated Kshs.60 million to the Emergency Fund (0.3 per cent of the total budget) in line with Section

110 of the PFM Act, 2012. Table 3.155 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.155: Performance of Kiambu County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Submission of Financial Statements (Yes/No)
1	Kiambu Alcoholic Drinks Control Fund	2024	30,000,000	0	26,323,782	Yes
2	Kiambu County Education Bursary Fund	2018	300,000,000	0	94,538,776	Yes
3	Kiambu County Emergency Fund	2013	60,000,000	35,000,000	480	Yes
4	Kiambu County Executive Car Loan & Mortgage Scheme Fund	2015	0	0	20,233,945	Yes
5	Kiambu County Jiinue Fund	2021	0	0	7,668	Yes
6	Kiambu County Facility Improvement Fund	2019	2,400,000,000	0	204,678,898	Yes
7	Kiambu County Climate Fund	2021	235,000,000	0	10,437,958	Yes
8	Kiambu County Assembly Car Loan & Mortgage Scheme Fund	2014	0	-	2,530	Yes
9	Kiambu County Assembly Staff Mortgage Scheme Fund	2018	0	-	3,832	Yes
	Total		**3,025,000,000**	**35,000,000**	**356,227,869**	

Source: *Kiambu County Treasury*

During the reporting period, the CoB Earned quarterly financial reports from all Fund Administrators, as indicated in Table 3.155, in line with the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the Kiambu County Assembly Car Loan & Mortgage Scheme Fund and the Kiambu County Executive Car Loan & Mortgage Scheme Fund** had lapsed.

3.13.13 County Corporations

The County has five County corporations, which were allocated Kshs.75 million in FY 2025/26. There was no reported expenditure during the first quarter.

3.13.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.56.94 million and comprised Kshs.42.80 million spent by the County Assembly and Kshs.14.14 million by the County Executive. There was no expenditure on foreign travel.

3.13.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.330.32 million as FIF, which was 4 per cent of the annual target of Kshs.7.98 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has a governing legislation on the operation of FIF, known as the Kiambu County Health Services Act of 2019.

The expenditure by health facilities amounted to Kshs.291.66 million, as shown in Table 3.156.

Table 3.156: Kiambu County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1	Level 5 Hospitals	3	1,743,165,447	204,812,480	12
2	Level 4 Hospitals	11	466,457,887	69,777,892	15
3	Level 2 and 3 Hospitals	93	190,376,666	17,068,976	9
	Total	107	**2,400,000,000**	**291,659,349**	12

Source: *Kiambu County Treasury*

The County has a total of 107 facilities which include 3 level 5 hospitals, 11 level 4 hospitals and 93 level 2 and 3 hospitals. The highest absorption rate was incurred by the level 4 hospitals at 15 per cent.

3.13.16 Development Expenditure

In the review period, the County reported incurring Kshs.206.67 million on development programmes, representing a decrease of 48 per cent compared to FY 2024/25, when the County incurred Kshs.401.05 million. Table 3.157 summarises the development projects with the highest expenditure in the reporting period.

The decline in development expenditure was attributed to the introduction of the e-Government Procurement System (e-GP), which halted the implementation of the procurement plan.

Table 3.157: Kiambu County, List of Development Projects with the Highest Expenditure

No	Sector	Project Name	Project Location	Project Commencement Date	Expected date of Completion of the Project	Contract sum (Kshs)	Total Funding in FY 2025/26 (Kshs.)	Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative project expenditure as of 30th September 2025 (Kshs.)	Percentage (%) of Completion	Remarks/ Challenges faced in implementing Projects
Donor Funded Projects											
1	Agriculture, Livestock and Cooperative Development	NAVCDP	County-wide	1st July 2025	30th June 2026	156,515,152	156,515,152	91,303,899.00	NONE	58%	Procuring stage
			TOTAL			**156,515,152**	**156,515,152**	**91,303,899**	**0**		
County Funded Projects											
1	Trade & Markets	Trade Payables	All	7/1/2025	6/30/2026	40,000,000	40,000,000	21,134,850	21,134,850	60%	Ongoing
2	Health	Upgrading Ndeiya Health Centre to a level III hospital	Ndeiya	Jul-24	Jul-26	52,962,675	15,000,000	10,448,685	47,974,834.99	95%	Ongoing
3	Health	Construction of Bibirioni level 4 hospital	Bibirioni	Apr-25	Dec-27	224,603,050	40,000,000	10,000,000	104,074,178	85%	Ongoing
4	Health	Construction Of Level 3 Health Facility At Mutonya Ruiru	Murera	Mar-25	Mar-27	62,200,587	10,000,000	10,000,000	10,000,000	30%	Ongoing
5	Health	Ngoliba Health Centre Renovations And Perimeter Wall Health Centre- Phase 11	Ngoliba	Mar-25	Mar-26	24,000,000	15,000,000	10,000,000	10,000,000	70%	Ongoing

No	Sector	Project Name	Project Location	Project Commencement Date	Expected date of Completion of the Project	Contract sum (Kshs)	Total Funding in FY 2025/26 (Kshs.)	Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative project expenditure as of 30th September 2025 (Kshs.)	Percentage (%) of Completion	Remarks/ Challenges faced in implementing Projects
6	Health	Renovation and refurbishment at Kihara Level 4 Hospital	Kihara ward	Mar-25	Mar-27	18,657,050	18,000,000	10,000,000	10,000,000	100%	Complete
7	Roads, Transport, Public Works & Utilities	Payables from previous financial years	All Wards	01 July 2024	30 June 2025	364,175,588	300,000,000	7,997,968	0	61%	On-going
9	Administration	Payables	All wards	Jul-25	30th June 2026	15,000,000	15,000,000	7,963,023	7,963,023	100%	Development Trade Payables
10	Health	Construction of a level IV Hospital at Uthiru Health Centre	Uthiru	Jul-24	Jul-26	64,640,607	5,000,000	7,000,000	26,087,064	85%	Ongoing
		TOTAL				1,179,269,861	771,030,304	277,152,324	277,152,324		

Source: *Kiambu County Treasury*

The County Assembly reported one stalled development project as of 30th September 2025, with an estimated value of Kshs.40 million, of which no amount has been paid. The stalled projects are shown in Table 3.158.

Table 3.158: Kiambu County Stalled Projects as of 30th September 2025

No	Sector	Project Name	Project Location	Project Commencement Date	Expected Completion Date of the Project	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance As of 30th September 2025	Percentage of Completion before Stalling of the Project	Reason for Project Stalling
1	County Assembly	Construction of the County Assembly archives and Members' welfare facility	Kiambu	2021		40,000,000	-	-	20	The 1st certificate has not been paid due to a lack of exchequer disbursement.

Source: *Kiambu County Assembly*

3.13.17 Budget Performance by Department

Table 3.159 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.159: Kiambu County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1282.42	100.00	157.23	0.00	157.23	0.00	100	-	12	-
County Executive	509.10	0.00	17.94	0.00	54.42	0.00	303	-	11	-
County Public Service Board	90.74	0.00	5.25	0.00	4.80	0.00	91	-	5	-
Finance, Economic Planning & ICT	1626.60	240.00	112.03	0.00	134.16	0.00	120	-	8	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment, Energy & Natural Resources	564.54	500.00	52.14	12.82	38.24	12.82	73	100	7	3
Health Services	7334.63	735.00	948.52	48.44	792.36	58.44	84	121	11	8
Roads, Transport & Public Works	754.32	1885.70	131.34	8.00	107.22	8.00	82	100	14	0
Administration & Public Service	1017.79	412.50	98.95	7.96	101.84	7.96			10	2
Agriculture, Livestock & Cooperatives	491.98	710.92	44.28	91.30	34.41	92.18			7	13
Education, Gender, Culture & Social Services	1459.79	871.30	109.41	6.13	95.07	6.13			7	1
Youth Affairs, Sports & Communication	195.40	226.00	9.52	0.00	10.47	0.00			5	-
Lands, Housing, Physical Planning- MAUD	411.74	1546.97	49.17	0.00	50.35	0.00	102	-	12	-
Trade, Tourism, Industry & Investment	172.06	667.26	11.90	34.82	11.65	21.13	98	61	7	3
Total	15911.12	7895.65	1747.66	209.47	1592.23	206.67	91	99	10	3

***Source**: Kiambu County Treasury*

An analysis of expenditure by department shows that the Department of Agriculture, Livestock & Cooperatives recorded the highest absorption rate of development budget at 13 per cent, followed by the Department of Health Services at 8 per cent. The Department of Roads, Transport & Public Works had the highest percentage of recurrent expenditure to budget at 14 per cent, while the Departments of County Public Service Board and Youth Affairs, Sports & Communication had the lowest at 5 per cent.

3.13.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Administration & Financial Support in the Department of Administration & Public Service at 27 per cent, Crop Development, Irrigation & Marketing Services in the Department of Agriculture, Livestock and Co-Operative Development at 21 per cent, and Curative Services in the Department of Health Services at 8 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Urban Areas and Administration Management in the Department of Land, Housing, Physical Planning, Municipal Administration & Urban Development at 23 per cent, ICT Services in the Department of Finance, ICT & Economic Planning at 22 per cent, and Representation Services in the County Assembly at 20 per cent.

3.13.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 73 accounts in commercial banks, including 16 accounts for Health Facilities, 1 account for Water Service Providers, nine accounts for Established Funds, 25 revenue accounts, and 22 special-purpose accounts (for additional allocations).

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 73 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.13.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, with the last report Earned on 29th October 2025.
ii. The underperformance of own-source revenue at Kshs.920.61 million against an annual target of Kshs.7.98 billion, representing 12 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Kshs.206.67 million on development activities, achieving a 3 per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Emergency Fund, the Kiambu County Assembly Car Loan & Mortgage Scheme Fund and the Kiambu County Executive Car Loan & Mortgage Scheme Fund had lapsed, making them ineligible for further withdrawals.
v. High level of Trade Payables, which amounted to Kshs.6.47 billion as of 30 September 2025. Furthermore, the County Treasury does not maintain a uniform database of Trade Payables, and there is no action plan in place for settling these bills. In addition, there were inconsistencies in the actual payables from previous financial years under Figure 75and Table 3.149.
vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
vii. Some expenditures with existing budget codes were instead charged under the "Other Operating Expenses, others" category.
viii. Construction of the County Assembly archives and Members' welfare facility, valued at Kshs.40 million, has stalled since 2021, currently at 20 per cent completion due to lack of exchequer disbursements.
ix. The County reported accrued revenues of Kshs.5.61 billion, including Kshs.5.14 billion in ordinary Own Source Revenue (OSR) and Kshs.466.08 million from the Facility Improvement Financing(FIF). These arrears limit funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The County Leadership should address the situation of Trade Payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced. In addition, a consistent and updated database on the settled payables should be maintained.*
vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
vii. *The County Treasury should adhere to the approved budget classification framework by ensuring that all expenditures are recorded under their specific budget codes rather than being aggregated under the "Other Operating Expenses" category.*

viii. *The County Assembly should settle outstanding payments upon receiving exchequer releases to resume work on the stalled project. It needs to enhance cash flow forecasting and commitment controls to ensure projects start only with secured funding, while maintaining a register to track multi-year obligations and align projects with the budget.*

ix. The County needs to develop strategies to collect these outstanding arrears to improve budget implementation. All waivers should also be documented according to Regulation 64 of the Public Finance Management (County Governments) Regulations 2015.

3.14. County Government of Kilifi

3.14.1 Overview of FY 2025/26 Budget

The Kilifi County Approved Budget for FY 2025/26 is Kshs.19.88 billion. It comprises Kshs.9.40 billion (47 per cent) and Kshs.10.48 billion (53 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.1.53 billion (7 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.11.44 billion and a recurrent budget of Kshs.9.97 billion. The decrease in the budget was primarily attributed to the failure to include the balance brought forward from the previous financial year, 2024/2025.

The budget is to be financed from various revenue sources. These include the equitable share of revenue received nationally, amounting to Kshs.12.70 billion (64 per cent), additional allocations of Kshs.4.80 billion (24 per cent) and Kshs.2.38 billion (12 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.160.

3.14.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.45 billion in revenue. This amount represented an increase of 153 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.965.48 million. The total revenue consisted of Kshs.2.06 billion from the equitable share of revenue raised nationally, as well as the own-source revenue (OSR) collection of Kshs.390.82 million. Additionally, the total OSR collection of Kshs.390.82 million included Facilities Improvement Financing (FIF) of Kshs.137.17 million, and Kshs.253.65 million from other OSR sources. Table 3.160 summarises the total revenue received to the County Government during FY 2025/26.

Table 3.160: Kilifi County, Revenue Performance in FY 2025/26

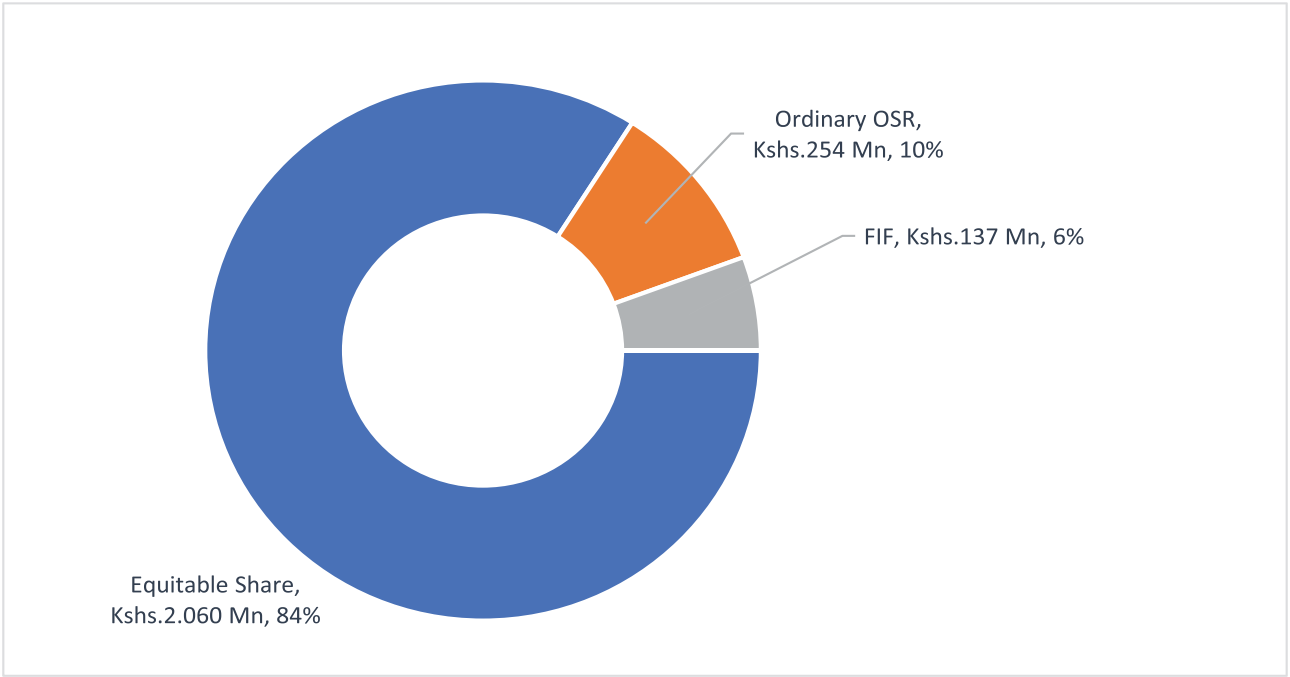
S/No	Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A.	**Equitable Share**	12,704,746,017	2,059,508,446	16
B.	Equalisation Fund Disbursement			
	Sub Totals	**12,704,746,017**	**2,059,508,466**	**16**
C.	**Additional Allocations**			
1	Community Health Promoters	90,953,531		-
2	Primary Healthcare in a Devolved Context	16,087,500		-
3	Kenya Informal Settlement Improvement Project (KISIP)II	750,000,000		-
4	National Agricultural Value Chain Development Project (NAVCDP)	151,515,152		-
5	St. Luke's Grant	300,000,000		-
6	Water and Sanitation Development Project (WSDP)	1,700,000,000		-
7	World Bank Grant Finance Locally-Led Climate Action Program, (FLLoCA) - County Climate Institution Support (CCIS) Level I	250,000,000		-

S/No	Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
8	Kenya Devolution Support Programme (KDSP)-LEVEL II	352,500,000		-
9	Kenya Urban Support Programme (KUSP-UIG)	35,000,000		-
	Sub-Total	3,646,056,183		-
D.	**Other Sources of Revenue**			
1	Ordinary Own Source Revenue	1,875,710,748	253,649,528	14
E.	**Balance b/f from FY2024/25**			-
2	Balance at CRF as at End of FY 2024/25			-
3	County Executive Refund to CRF		654,433.45	-
4	County Assembly Refund to CRF		25,826.45	-
	Sub-Total		**680,259.90**	**14**
F.	**Facility Improvement Fund (FIF)**			
1	SHIF	500,000,000	137,171,206	27
2	Defunct NHIF			-
3	Other FIF			-
	Sub-Total			
G.	**Other Sources of Revenues**			-
1	**Royalties**	1,150,000,000		-
	Sub-Total Other Sources	3,525,710,748	391,500,994	11
	Grand Total	**19,876,512,948.44**	**2,451,009,459**	**12**

***Source**: Kilifi County Treasury*

The County has a governing legislation on FIF. Figure 76 provides a detailed breakdown of revenues, showing a breakdown of each shilling received.

Figure 76: Kilifi County Composition of Each Shilling Received in the First Quarter of FY 2025/26

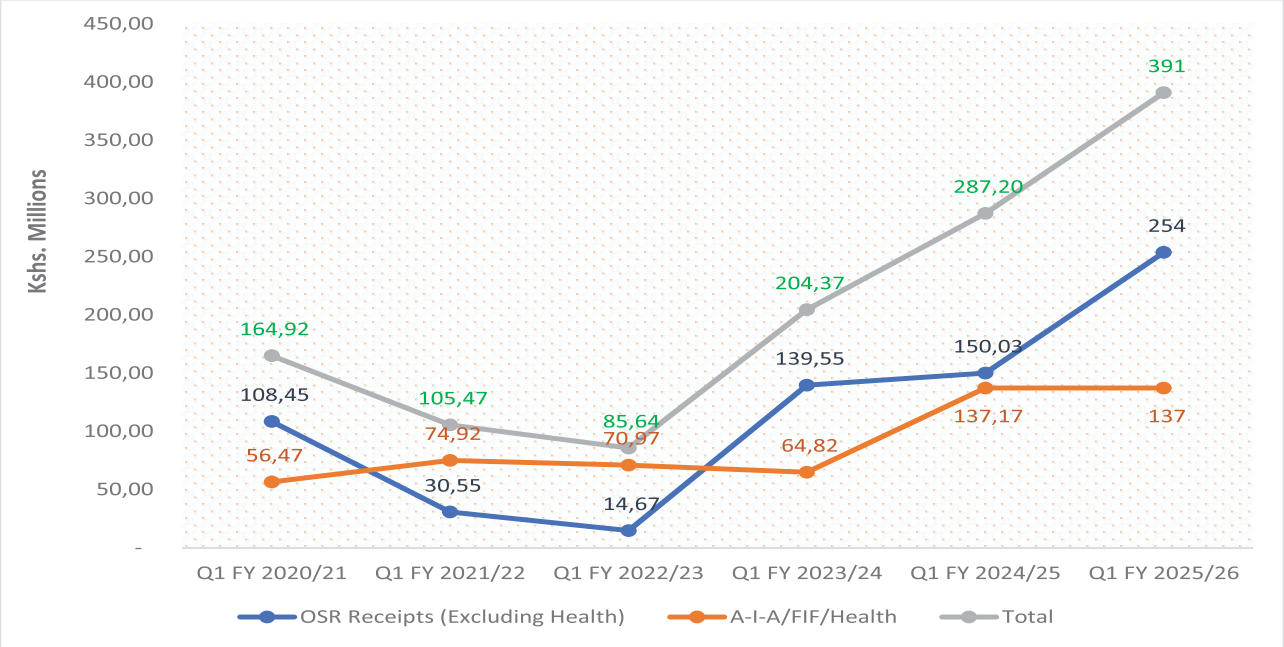


***Source:** Kilifi County Treasury*

The equitable share of revenue received nationally, OSR, and FIF contributed 84, 10, and 6 per cent, respectively, of the total revenues for the reporting period.

Figure 77 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 77: Kilifi County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



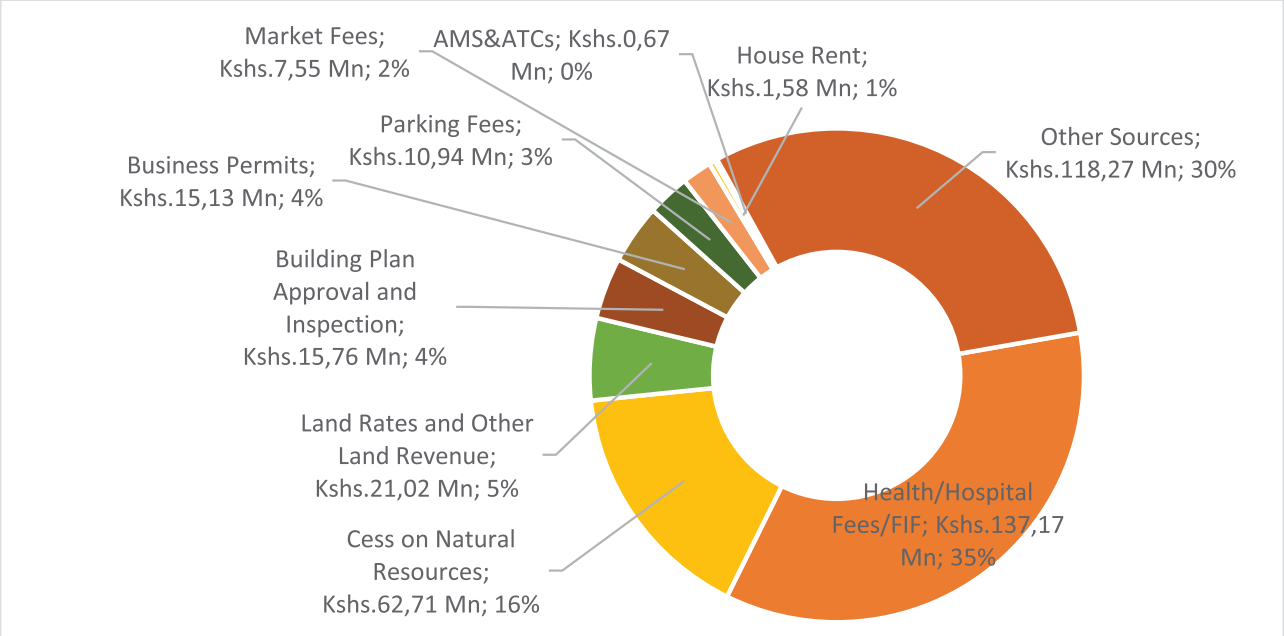
Source: *Kilifi County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.390.82 million from its revenue sources, including FIF. This amount was an increase of 69 per cent compared to Kshs.231.03 million realised in a similar period in FY 2024/25, and was 16 per cent of the annual target and 19 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to the timely procurement of essential medical drugs, which contributed to an increase in FIF.

The revenue streams which contributed the highest OSR receipts are shown in Figure 78.

Figure 78: Kilifi County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kilifi County Treasury

As shown in Figure 78, the highest revenue stream, at Kshs.118.27 million, was from other consolidated sources, accounting for 30 per cent of the total OSR receipts.

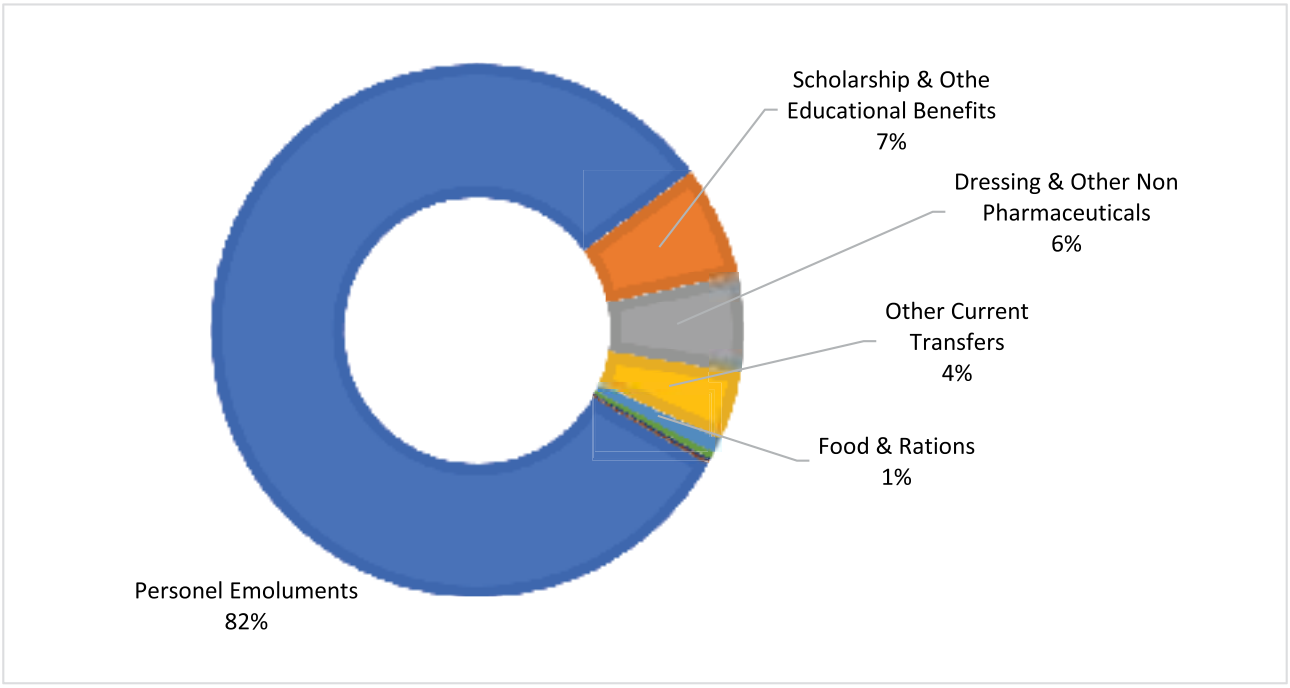
The Controller of Budget approved withdrawals of Kshs.923.99 million from the CRF account during the reporting period. The approved withdrawal was Kshs923.99million (100 per cent) was for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.923.99 million was towards employee compensation.

As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.1.25 billion.

3.14.3 Expenditure Review

The County spent Kshs.1.47 billion on development and recurrent programmes in the reporting period. The expenditure represented 159 per cent of the total funds released by the CoB. It comprised Kshs.1.47 billion for recurrent programmes.

Figure 79: Kilifi County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Kilifi *County Treasury*

As shown in Figure 79, the three highest expenditure categories were personnel emoluments, scholarships and other educational benefits, and dressing and other non-pharmaceutical equipment, contributing 82 per cent , 7 per cent, and 6 per cent of the total expenditure for the reporting period.

3.14.4 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.9.25 billion. This amount included Kshs.9.19 billion from the County Executive and Kshs.63.66 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.3.82 billion for recurrent expenditures and Kshs.5.37 billion for development expenditures.

The outstanding trade payables as of 30th September 2025 were Kshs.9.59 billion for the County Executive and Kshs.105.62 million for the County Assembly. Table 3.161 provides additional details of trade payables.

Table 3.161: Kilifi County Trade Payables as of 30th September 2025

Classification	Trade payables as of 1 July 2025 (Kshs.)	Trade payables scheduled for settlement in Q1 of FY 2025/26, according to the action plan (Kshs.)	Actual Paid Trade payables in the First Quarter of FY 2025/26 (Kshs.)	Actual Incurred Trade payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding trade payables as of 30 September 2025 (Kshs.)
	A	B		C	D=A-C
County Executive					
Recurrent	3,820,060,280	586,803,522		406,112,959	4,226,173,239
Development	5,367,385,530	308,984,647			5,367,385,530
Sub-Total	**9,187,445,809**	**895,788,169**		**406,112,959**	**9,593,558,768**
County Assembly					
Recurrent	63,662,069	13,325,910		41,955,082	105,617,151
Development					
Sub-Total	**63,662,069**	**13,325,910**		**41,955,082**	**105,617,151**
Total	**9,251,107,878**	**909,114,079**	-	**448,068,041**	**9,699,175,919**

Source: Kilifi *County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.895.79 million and Kshs.13.33 million, respectively, in the first quarter of the FY 2025/26. The County did not adhere to this payment plan, as it did not pay any trade payables in the reporting period.

Table 3.162 and Table 3.163 present the ageing of the total outstanding payables as of 30 September 2025 for the County Executive and Assembly, which were Kshs.9.69 billion.

Table 3.162: Kilifi County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables	**551,272,075**	**2,900,706,767**	**1,055,810,512**	**859,596,176**	**5,367,385,530**
Recurrent Trade payables (Goods & Services)	1,072,964,712	1,066,263,070	727,549,466	499,004,761	3,365,782,009
Recurrent Trade payables (Salary Arrears and Statutory Deductions)	828,654,152	25,203,620.33	23,914,398.06	30,567,890.00	908,340,060
Recurrent Trade payables (Staff Claims)	12,494,117	15,979,985	12,293,851	16,900,366	57,668,319
Total Recurrent Trade payables	**1,850,450,913**	**1,107,446,675**	**763,757,715**	**546,473,017**	**4,268,128,321**
Total Trade payables	**2,401,722,988**	**4,008,153,442**	**1,819,568,227**	**1,406,069,193**	**9,699,175,919**
% of Total	**25%**	**42%**	**19%**	**15%**	**100%**

Source: Kilifi *County Treasury*

Table 3.162 shows that 34 per cent of the Executive payables are over two years old. We urge the Executive to use FIFO when settling the bills.

Table 3.163: Kilifi County Assembly Tarde Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables	-	-	-	-	-
Recurrent Trade payables (Goods & Services)	-	-	-	-	-

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Recurrent Trade payables (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Trade payables (Staff Claims)	41,955,082	63,662,069	-	-	105,617,151
Total Recurrent Trade payables	**41,955,082**	**63,662,069**	**-**	**-**	**105,617,151**
Total Trade payables	**41,955,082**	**63,662,069**	**-**	**-**	**105,617,151**
% of Total	**40%**	**60%**	**0%**	**0%**	**100%**

Source: *Kilifi County Treasury*

3.14.5 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs1.13 billion for compensation of employees, Kshs.272.92 million for operations and maintenance. Similarly, the County Assembly incurred Kshs.74.39 million on compensation of employees as shown in Table 3.164.

Table 3.164: Kilifi County Summary of Budget and Expenditure by Economic Classification

Sector / Category	Budget (Kshs)	Exchequer Issues (Kshs)	Expenditure (Kshs)	Expenditure % of Exchequer Issues	Absorption Rate
County Executive					
Recurrent	**9,649,292,691**	**849,603,843**	**1,398,546,922**	**165**	**14**
Compensation to Employees	5,004,585,644	849,603,843	1,125,625,461	132	22
Operations & Maintenance	4,644,707,047		272,921,461	-	6
Development	**9,325,561,429**			-	-
Executive Sub-total	**18,974,854,120**	**849,603,843**	**1,398,546,922**	**165**	**7**
County Assembly					
Recurrent	**829,736,828**		**74,385,374**	-	**9**
Compensation to Employees	542,837,072	74,385,374	74,385,374	100	14
Operations & Maintenance	286,899,756			-	-
Development	**71,922,000**			-	-
Assembly Sub-total	**901,658,828**		**74,385,374**	-	**8**

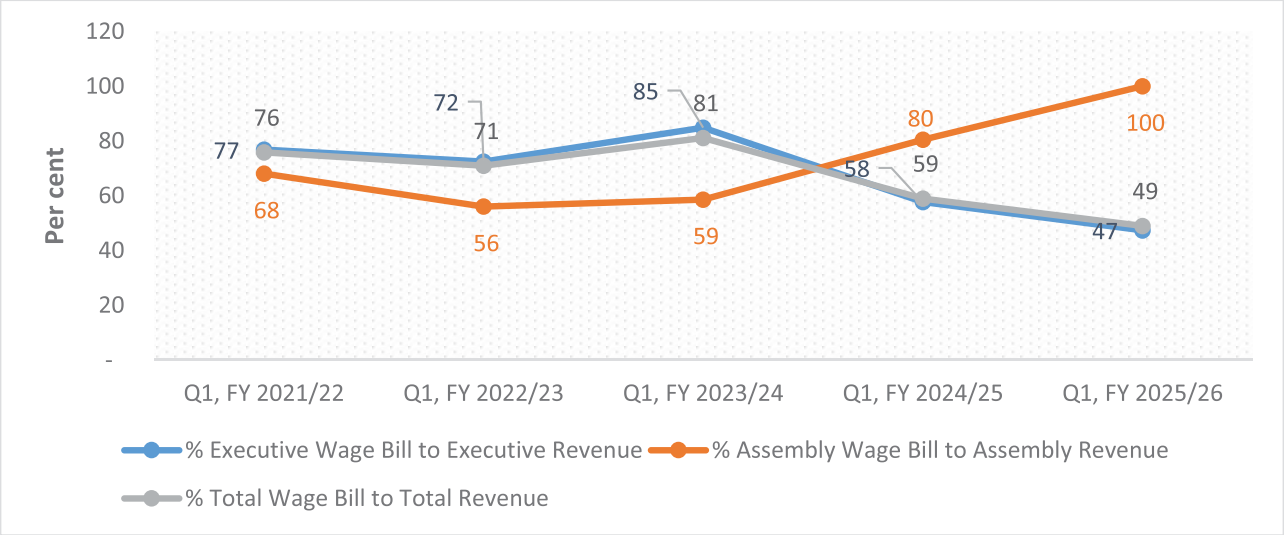
Source: *Kilifi County Treasury*

3.14.6 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.20 billion. The compensation-to-revenue ratio was 130 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.1.00 billion reported in a similar period in FY 2024/25. Of this total, Kshs.640.91 million related to the Health Sector employees, which accounted for 53 per cent of the overall employees' compensation

Figure 80 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 80: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Kilifi County Treasury

As shown in Figure 80, the County Assembly apportioned all its inflows in the first quarter of FY 2025/26 towards compensation of employees while the Executive apportioned 49 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis indicated that PE costs amounting to Kshs.1.17 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.32.76 million was processed through manual payroll, which accounted for 3 per cent of the total PE cost as shown in Table 3.165Table 3.18.

Table 3.165: Breakdown of Kilifi County Manual Payroll

Category	County Executive	County Assembly	Total
Salaries for casual staff-Ward offices		2,503,833	2,503,833
Community Health Workers	30,252,500		
Total	**30,252,500**	**2,503,833**	**32,756,333**

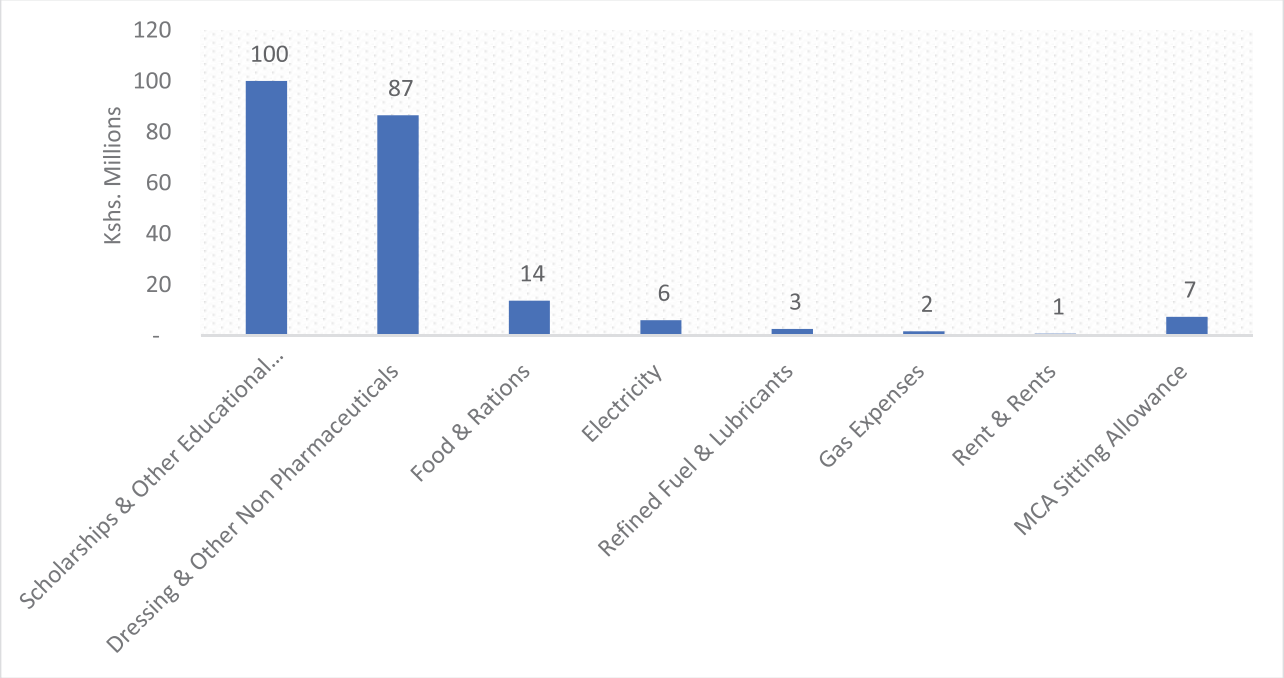
Source: Kilifi County Treasury

The County Assembly incurred Kshs.7.40 million on committee sitting allowances for the 56 MCAs against the annual budget allocation of Kshs.64.00 million. The average monthly sitting allowance was Kshs.44,068 per MCA. The County Assembly has 23 House Committees.

3.14.7 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.272.92 million on operations and maintenance, representing an increase of 315 per cent compared to FY 2024/25, when the County incurred Kshs.65.71 million. Figure 81 summarises the Operations and Maintenance expenditure by major categories.

Figure 81: Kilifi County, Operations and Maintenance Expenditure by Major Categories.



Source: *Kilifi County Treasury*

3.14.8 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.1.59 billion to County-established funds in FY 2025/26, or 8 per cent of the County's overall budget. Furthermore, the County allocated Kshs.250.00 million to the Emergency Fund (1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.166 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.166: Performance of Kilifi County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs)	Incurred Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/ No)
		County Executive Established Funds					
1.	Kilifi Health Service Improvement Fund	2016	597,811,932		133,303,210		Yes
2.	Kilifi County Climate Change Fund	2021	250,392,926.00				Yes
3.	Kilifi Emergency Fund	2020	250,000,000.00	-	-		Yes
4	Kilifi County Ward Scholarship Fund	2013	500,000,000	-	125,271,974		Yes
	Total		**1,598,204,858**		**258,575,184**		-

Source: *Kilifi County Treasury*

3.14.9 County Corporations

The County has two County Corporations, which were allocated Kshs.1.5 billion in FY 2025/26. No expenditure was incurred during the reporting period, as shown in Table 3.167.

Table 3.167: Performance of Kilifi County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1.	Kilifi Mariakani Water and Sanitation Company	750,000,000	-	0	0
2	Malindi Mariakani Water Sanitation Company	750,000,000		0	0
	Total	**1,500,000,000**	**0.00**	**0.00**	**0.00**

Source: *Kilifi County Treasury*

3.14.10 Facility Improvement Financing

During the review period, the County reported collections of Kshs.137.17 million as FIF, which was 27 per cent of the annual target of Kshs.500 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by health facilities amounted to Kshs.133.30 million, as shown in Table 3.168.

Table 3.168: Kilifi County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital				
2.	Level 4 Hospital (FIF)	9	500,000,000	133,303,210	27
	Total			**133,303,210**	27

Source: *Kilifi County Treasury*

3.14.11 Budget Performance by Department

Table 3.169 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.169: Kilifi County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	901.66	441.95	74.39		74.39		100	-	8.2	-
County Division for Office of the Governor	498.15	-	36.35		36.35		100	-	7.3	-
County Division for Finance	819.51	702.19	47.27		68.36		144.6	-	8.3	-
County Division for Agriculture	282.23	347.84	46.70		47.56		101.8	-	16.9	-
County Public Service Boards	85.36		7.08		7.08		100	-	8.3	-
County Division for Public Service Management	671.23	150.00	34.25		34.25		100	-	5.1	-
County Division for County Attorney	96.80	10.00	-				-	-	-	-
County Division for Economic Planning	103.46		-				-	-	-	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Division for Live-stock	15.43	41.57	-				-	-	-	-
County Division for Infor-mation Communication Technology	91.81		-				-	-	-	-
County Division for Cooper-ative Development	31.37		-				-	-	-	-
County Division for Re-source Mobilisation	154.20		-				-	-	-	-
County Division for Blue Economy	10.05	77.50	-				-	-	-	-
County Division for Water Services	143.10	2,540.33	15.22		1.25		8.2	-	0.9	-
County Division for Environment and Natural Resources	405.31		-				-	-	-	-
County Division for Early Childhood Education and Vocational Training	1,208.17	428.64	139.80		309.16		221.1	-	25.6	-
County Division for Health and Sanitation Services	3,498.31	786.84	458.59		812.81		177.2	-	23.2	-
County Division for Roads and Transport Services	296.42	1,465.59	24.50		36.49		148.9	-	12.3	-
County Division for Public Works	35.88		-				-	-	-	-
County Division for Gender and Social Services	80.31	112.70	9.70		14.52		149.6	-	18.1	-
Youth Affairs & Sports	27.29	284.50	-				-	-	-	-
County Division for Trade Development	114.51	504.30	14.09		15.35		109	-	13.4	-
County Division for Tourism Promotion	47.40		-				-	-	-	-
County Division for Devolu-tion & Civic Education	400.68	43.33	-				-	-	-	-
County Division for Special Programs & Disaster Man-agement	196.24		-				-	-	-	-
County Division for the County Secretary	48.14		-				-	-	-	-
County Division for lands	118.02	86.50	16.05		15.41		96	-	13.1	-
County Division for Energy	36.30	200.00	-				-	-	-	-
County Division for Physical Planning, Urban Develop-ment & Housing	50.46	923.72	-				-	-	-	-
County Division for Forestry and Climate Change	11.25	250.00	-				-	-	-	-
Total	**10,479.03**	**9,397.48**	**923.99**	**-**	**1,472.96**	**-**	**159.4**	**-**	**14.1**	**-**

***Source**: Kilifi County Treasury*

The Department of Early Childhood Education & Vocational Training had the highest percentage of recurrent expenditure to budget at 26 per cent, while the Department of Water Services had the lowest at less than 1per cent.

Several departments reported zero absorption rates, primarily due to delays in uploading their budgets to the new Electronic Government Procurement (EGP) system.

3.14.12 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General administration, planning & support Services in the Department of Early Childhood Development Education & Vocational Training at 26 per cent, ward scholarship administration in the Department of Early Childhood Development Education & Vocational Training at 25 per cent, general administration, planning & support services in the Department of Agriculture at 18 per cent, and general administration, planning & support services in the Department of Trade at 15 per cent of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.14.13 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County government uses commercial bank accounts to operate the above-established public funds, contrary to Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, which requires that County government bank accounts must be opened and maintained at the Central Bank of Kenya.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.14.14 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 27th October 2025

ii. The underperformance of own-source revenue at Kshs.390.82 million against an annual target of Kshs.2.38 billion, representing 16 per cent of the financial year target.

iii. Low development performance in the review period as the County incurred no expenditure on development activities.

iv. Unspent funds from FY 2024/25 were not refunded into the CRF account, resulting in actual expenditures exceeding the approved exchequer in several departments, as shown in Table 3.169.

v. High level of trade payables, which amounted to Kshs.9.69 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.

vi. Use of manual payroll. Personnel emoluments amounting to Kshs.32.76 million for staff not onboarded into HRIS and casual staff were processed through manual payroll, accounting for 3 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.

vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*

ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*

iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iv. *The County Treasury should ensure unspent funds from the previous financial year are deposited into the CRF Account in line with Section 136 of the PFM Act 2012.*

v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade payables Action Plan should be enforced.*

vi. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.15. County Government of Kirinyaga

3.15.1 Overview of FY 2025/26 Budget

The Kirinyaga County Approved Budget for FY 2025/26 is Kshs.8.01 billion. It comprises Kshs.2.84 billion (35 per cent) and Kshs.5.16 billion (65 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.75.57 million (1 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.99 billion and a recurrent budget of Kshs.4.93 billion. The increase in the budget was primarily attributed to the rise in Equitable Share of Revenue.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.6.15 billion (77per cent), additional allocations of Kshs.1.05 billion (13 per cent), a cash balance of Kshs.34.61 million (0.43 per cent) brought forward from FY 2024/25, and Kshs.764.00 million (10 per cent) to be generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.170.

3.15.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.139.68 million in revenue. This amount represented an increase of 26.75 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.110.20 million. The total revenue consisted of Kshs.1478.21 million from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.139.68 million. Additionally, the County had a cash balance of Kshs.34.61 million from FY 2024/25. The total OSR collection of Kshs.139.68 million included Facilities Improvement Financing (FIF) of Kshs.91.76 million, and Kshs.47.92 million from other OSR sources. Table 3.170 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.170: Kirinyaga County, Revenue Performance in FY 2025/26

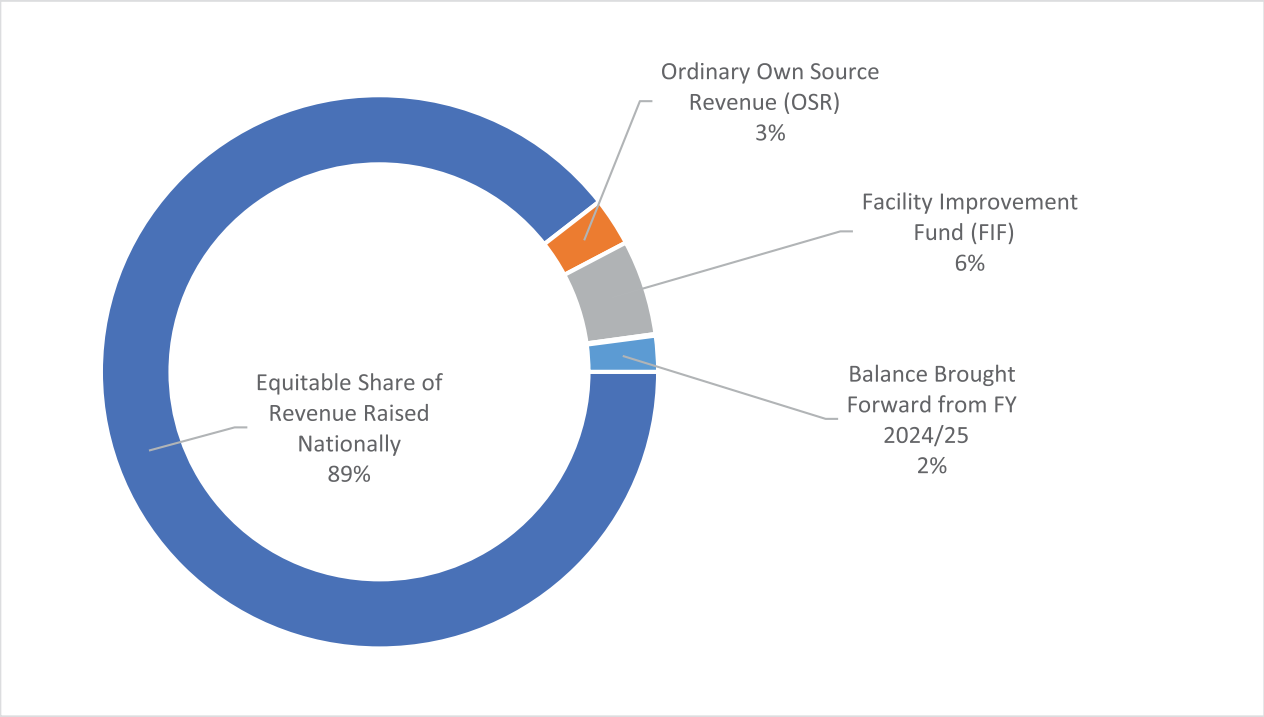
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	6,151,661,892	1,478,212,442	24
Subtotal		**6,151,661,892**	**1,478,212,442**	**24**
C	**Additional Allocations**			
1	IDA (World Bank) Credit Allocation for Kenya Water, Sanitation and Hygiene (K-WASH) Program 2024/2025	366,729,808	-	-
2	IDA- (World Bank) Credit National Agricultural Value Chain Development Project (NAVCDP) FY2022/23	231,250,000	-	-
3	Allocation of Roads Maintenance Fuel Levy Fund (RMLF) 2024/2025	127,631,589	-	-
4	IDA- (World Bank) Credit National Agricultural Value Chain Development Project (NAVCDP) FY2024/25	108,389,410	-	-
5	Allocation from the National Government for Community Health Promoters (CHPs) Project	56,049,816	-	-
6	Allocation from National Government as Conditional Grant for Aggregated Industrial Parks Programme CAIPS 2024/2025	51,373,382	-	-
7	IDA (World Bank)-Kenya Devolution Support Programme Grant (KDSP II) Level 1 Grant	37,500,000	-	-
8	IDA (World Bank)-Kenya Devolution Support Programme Grant (KDSP II) Level 1 Grant 2024/2025	37,500,000	-	-
9	International Fund for Agricultural Development (IFAD) Aquaculture Business Development Project (ABDP) 2024/2025	13,779,259	-	-
10	International Fund for Agricultural Development (IFAD) Aquaculture Business Development Project (ABDP)	11,283,380	-	-
11	Allocation Financed by Grant from DANIDA to finance Universal Healthcare in Devolved System	6,834,000	-	-
12	IDA-(World Bank Credit) (Kenya Urban Support Project (KUSP) UDG 2024/2025	2,690,700	-	-
Subtotal		**1,051,011,344**	-	-
D	**Ordinary Own Source Revenue (OSR)**			
1	Bus Park	31,000,000	8,354,060	27
2	Market Gate Fee	31,000,000	6,360,610	21
3	Building Plan Approvals	30,000,000	6,110,843	20
4	Single Business Permit	105,000,000	5,407,059	5
5	Property Rates	34,000,000	3,511,663	10
6	Street Parking	24,549,000	2,882,510	12
7	Public Health Services	42,000,000	2,876,400	7
8	Advertisement	31,000,000	2,208,500	7
9	Veterinary Services	7,500,000	1,628,550	22
10	Produce Cess	7,000,000	1,625,981	23
11	Land Administration	10,000,000	1,558,800	16
12	Conservancy Fee	14,500,000	888,750	6
13	House rents	6,051,000	831,000	14
14	Stalls rent	5,500,000	750,300	14

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
15	Quarries cess	3,000,000	378,000	13
16	coffee licences	600,000	371,860	62
17	ZAZ	6,000,000	261,500	4
18	Weights & Measures	6,000,000	246,200	4
19	Commission by payroll	3,000,000	114,387	4
20	Group Registration	800,000	74,200	9
21	Cooperative audit	500,000	3,850	1
Subtotal		**399,000,000**	**46,445,023**	**12**
E	**Facility Improvement Fund (FIF)**			
1	Dispensaries & Health Centres	18,500,000	42,855,779	232
2	Kerugoya Referral Hospital	222,000,000	31,716,575	14
3	Kimbimbi Hospital	35,000,000	7,506,268	21
4	Kianyaga Hospital	20,000,000	5,014,487	25
5	Sagana Hospital	9,500,000	4,664,717	49
Subtotal		**305,000,000**	**91,757,824**	**30**
F	**Other AIAs**			
1	(A-i-A) Revenue Alcoholic Drinks licensing	55,000,000	866,000	2
2	(A-i-A) Revenue Kamweti Training Centre	5,000,000	611,226	12
Subtotal		**60,000,000**	**1,477,226**	**3**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	34,608,753	34,608,753	100
Subtotal		**34,608,753**	**34,608,753**	**100**
Grand Total		**8,001,281,989**	**1,652,501,270**	**21**

Source: *Kirinyaga County Treasury*

Figure 82 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

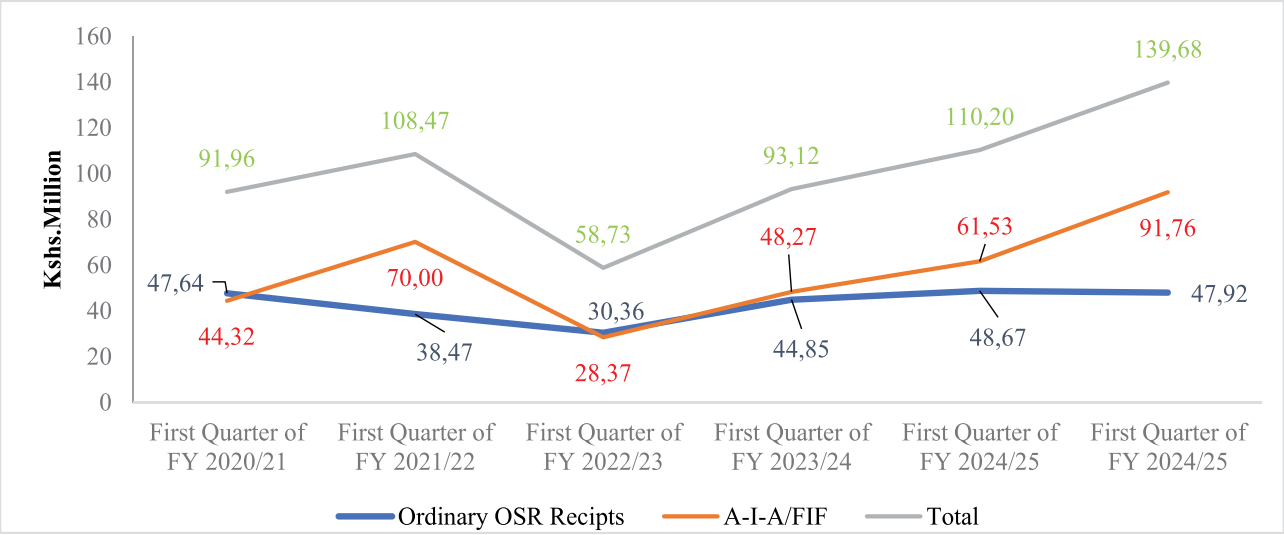
Figure 82: Kirinyaga County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kirinyaga County Treasury*

The equitable share of revenue raised nationally, FIF, and OSR contributed 89 per cent, 6 per cent, and 3 per cent, respectively, to total receipts for the reporting period. Figure 83 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 83: Kirinyaga County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

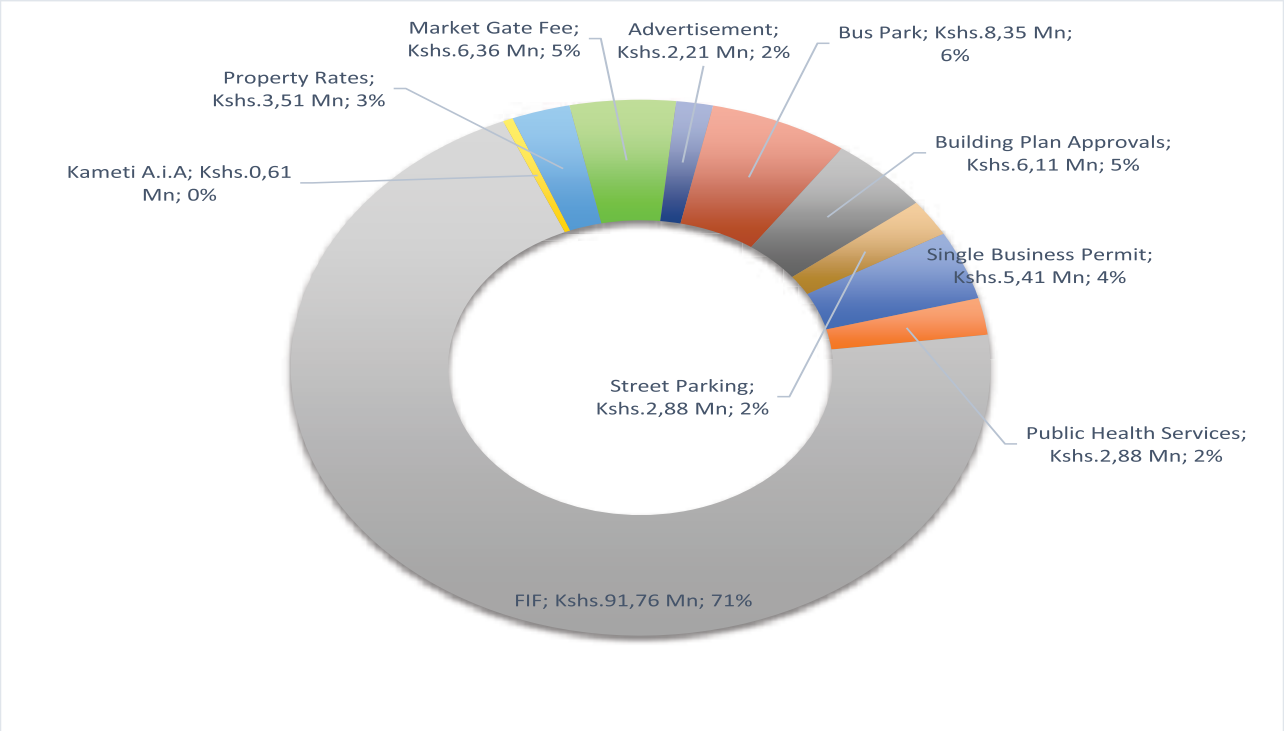


Source: *Kirinyaga County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.139.68 million from its revenue sources, including FIF. This amount was an increase of 26.75 per cent compared to Kshs.110.20 million realised in a similar period in FY 2024/25, and was 18.28 per cent of the annual target and 9.45 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to the full operation of the FIF financing act and a mapping exercise conducted of businesses within the County. The revenue streams which contributed the highest OSR receipts are shown in Figure 84.

Figure 84: Kirinyaga County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kirinyaga County Treasury

As shown in Figure 84, the highest revenue streams were from FIF (Kshs.91.76 million) and from Bus Park (Kshs.8.35 million), accounting for 71 per cent and 18 per cent of the total OSR receipts. The County Government indicated that it has automated 21 of 21 revenue streams.

3.15.3 Revenue Arrears

As of 1st July 2025, the County reported nil revenue arrears.

3.15.4 Borrowing by the County

Neither the Kirinyaga County Executive nor the Assembly has a credit facility with any bank.

3.15.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.868.57 million from the CRF account during the reporting period, which comprised Kshs.201.77 million (23 per cent) for development programmes and Kshs.666.80 million (77 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.408.31 million was towards employee compensation and Kshs.258.47 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 5.75 per cent was for domestic travel and 0.20 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.14.85 million for the County Executive. The foreign exchequer totalled Kshs.0.51 million, entirely for the County Executive.

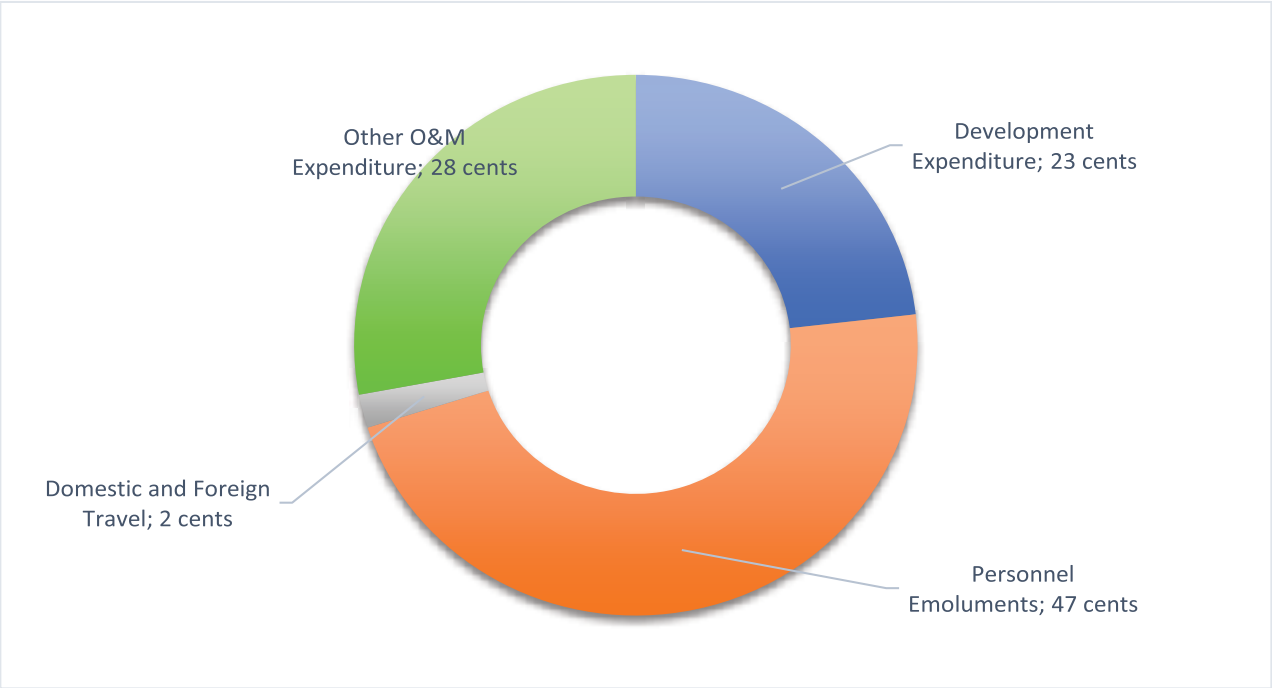
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.569.49 million.

3.15.6 Expenditure Review

The County spent Kshs.868.57 million on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.201.77 million for development programmes and Kshs.666.80 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 8 per cent, while recurrent expenditure represented 15 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 85: Kirinyaga County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Kirinyaga *County Treasury*

As shown in Figure 85, the three highest expenditure categories were Personal Emoluments, Other O&M Expenditure, and Development Expenditure, which contributed 47 per cent, 28 per cent, and 23 per cent of total expenditure for the reporting period, respectively.

3.15.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.794.80 million. This amount was attributed to County Executive trade payables. The trade payables from the County Executive consisted of Kshs.417.62 million for recurrent expenditures and Kshs.377.18 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.29.72 million, comprising Kshs.28.52 million (96 per cent) for recurrent programmes and Kshs.1.20 million (4 per cent) for development programmes. The outstanding trade payables as of 30th September 2025 were Kshs.765.08 million for the County Executive. The County Assembly has no trade payables. Table 3.171 provides additional details of trade payables.

Table 3.171: Kirinyaga County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	377,177,533	417,623,727	794,801,261
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	12,500,000	12,500,000	25,000,000
Amount paid in FY 2025/26	c	County Executive	1,200,110	28,516,253	29,716,363
Outstanding trade payables as of 30 September 2025	e=a-c*b	**Total**	**375,977,423**	**389,107,475**	**765,084,898**

Source: *Kirinyaga County Treasury*

The County Executive submitted a trade payables payment plan, committing to pay Kshs.100.00 million, respectively, in FY 2025/26. The County Executive adhered to this payment plan, as it cleared Kshs.29.72 million.

Table 3.172 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive , which was Kshs.765.08 million.

Table 3.172: Kirinyaga County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**181,325,142**	**9,594,735**	**185,057,546**	**0**	**375,977,423**
Recurrent Trade Payables (Goods & Services)	174,153,937	21,571,698	187,984,939	-	383,710,575
Recurrent Trade Payables (Staff Claims)	2,441,824	2,955,076	-	-	5,396,900
Total Recurrent Trade Payables	**176,595,761**	**24,526,774**	**187,984,939**	**-**	**389,107,475**
Total Trade Payables	**357,920,903**	**34,121,509**	**373,042,485**	**-**	**765,084,898**
% of Total	**47%**	**4%**	**49%**	**0%**	**100%**

Source: *Kirinyaga County Treasury*

3.15.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.408.31 million for compensation of employees, Kshs.258.47 million for operations and maintenance, and Kshs.201.77 million for development activities. The County Assembly did not report any expenditure in the review, as shown Table 3.173

Table 3.173: Kirinyaga County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**4,446,764,901**	**717,134,062**	**666,799,806**		**15%**	
Compensation of Employees	2,700,961,274	333,624,824	408,313,746		15%	
Operations and Maintenance	1,745,803,627	383,509,238	258,486,059		15%	
Development Expenditure	**2,643,590,692**	**193,792,334**	**201,766,034**		**8%**	
Total	**7,090,355,593**	**910,926,396**	**868,565,840**		**12%**	

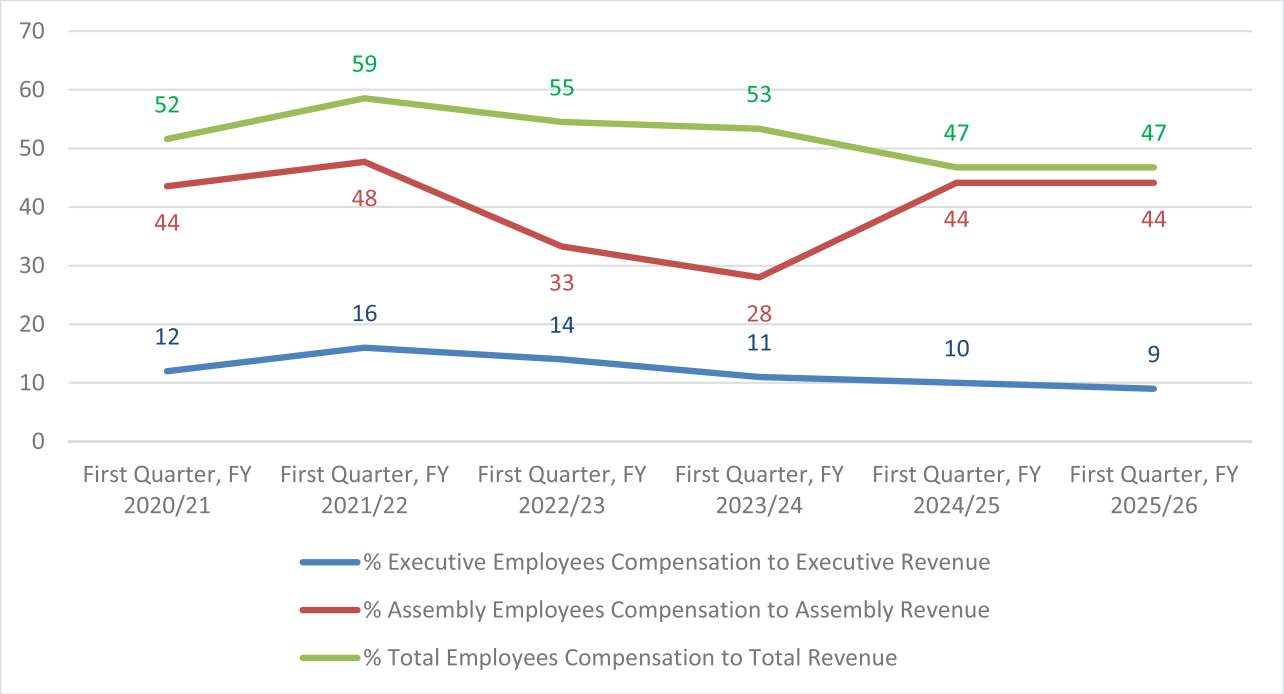
Source: *Kirinyaga County Treasury*

3.15.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.408.31 million. The percentage of compensation of employees to revenue was 9 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.411.36 million reported in a similar period in FY 2024/25. Of this total, Kshs.207.52 million related to the Health Sector employees, which accounted for 50 per cent of the overall employees' compensation.

Figure 86 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 86: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Kirinyaga County Treasury

Further analysis indicated that PE costs amounting to Kshs.375.33 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.32.98 million was processed through manual payroll, which accounted for 8 per cent of the total PE cost.

The manual payroll comprised salaries for next of kin of deceased, salaries for an average of 600 casual staff, salaries and stipends for 853 community health promoters, gratuity remittances to pension schemes for staff on contract, and contracted guards budgeted under compensation of temporary employee Economic item, as shown in Table 3.174.

Table 3.174: Breakdown of Kirinyaga County Manual Payroll

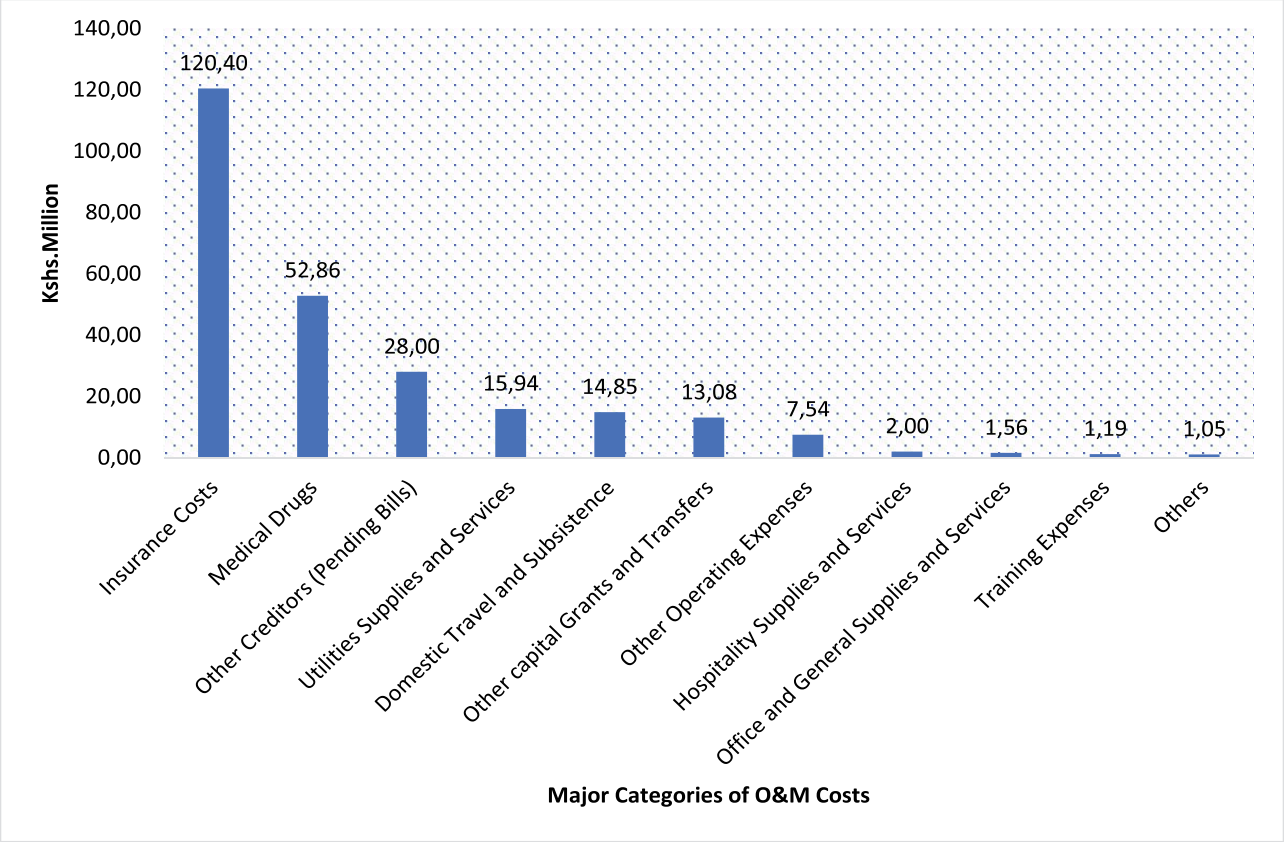
Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for Next of Kin of Deceased	33,712
	Salaries for casual staff	15,104,957
	Gratuity for contract staff	8,967,436
	Community Health Promoters	4,265,000
	Contracted Guards	2,808,800
	SHA/SHIF	1,805,842
	Total	**32,985,747**

Source: Kirinyaga County Treasury

3.15.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.258.47 million on operations and maintenance, representing an increase compared to a similar period in FY 2024/25, when the County spent Kshs.129.19 million. Figure 87 summarises the Operations and Maintenance expenditure by major categories.

Figure 87: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories



Source: *Kirinyaga County Treasury*

3.15.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.7.54 million under "other Operating expenses" translates to 2.92 per cent of the cumulative operations and maintenance expenditure of Kshs.258.47 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.175.

Table 3.175: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211306	Membership Fees, Dues and Subscriptions to Professional and Trade Bodies (CoG & CEREB)	5,466,400	69,000
2211308	Legal Fees	37,500,000	0
2211311	Contracted technical Services	300,000	0
2211313	Security Operations	18,970,000	1,527,300
	Total	**62,236,400**	**1,596,300**

Source: *Kirinyaga County Treasury*

3.15.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.508.35 million to County-Established funds in FY 2025/26, or 6.35 per cent of the County's overall budget. Further, the County allocated Kshs.26.00 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.176 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.176: Performance of Kirinyaga County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Kirinyaga County Emergency Fund	2015	26,000,000	-	-	51,561,710	YES
	Kirinyaga County Executive Staff Mortgage & Car Loan Scheme Fund	2016	31,300,000	-	-	288,800,000	YES
	Kirinyaga County Education Bursary Fund	2016	126,000,000	-	1,113,616	462,750,000	YES
	Kirinyaga County Agricultural Institutions Revolving Fund	2024	5,000,000	611,028	1,490,578	5,000,000	YES
	Kirinyaga County Alcoholic Drinks Control Fund	2025	14,549,000		2,188,300.00	21,029,000	YES
	Kirinyaga County Health Facilities Improvement Fund	2024	305,000,000	91,757,824	34,907,730.50	309,757,824	YES
	Total		**507,849,000**	**92,368,852**	**39,700,225**	**1,138,898,534**	

Source: *Kirinyaga County Treasury*

During the reporting period, the CoB received all quarterly financial reports from all Fund Administrators, as indicated in Table 3.176, contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that no administration costs of the Funds were above the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. During the review period, the CoB determined that the Funds' lifespan had not lapsed.

3.15.13 County Corporations

The County has two County Corporations, which were allocated Kshs.55.50 million in FY 2025/26. There was no expenditure for the review period, as shown in Table 3.177.

Table 3.177: Performance of Kirinyaga County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Kirinyaga- Kutus Municipality	53,000,000	-	-	2,282,289
	Kirinyaga investment & development Authority	2,500,000	-	-	-
	Total	**55,500,000**			

Source: *Kirinyaga County Treasury*

3.15.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.15.37 million incurred by the County Executive. Expenditure on foreign travel amounted to Kshs.0.51 million by the County Executive. Expenditure on foreign travel is summarised in Table 3.178.

Table 3.178: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Executive	1	21.06.2025 to 01.07.2025	Being payment for the facilitation to accompany H.E. Governor to Medanta Medicity, India	India	513,252
Total					**513,252**

Source: Kirinyaga County Treasury and Kirinyaga County Assembly

3.15.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.91.76 million as FIF, which was 30.08 per cent of the annual target of Kshs.305.00 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.34.90 million, as shown in Table 3.179.

Table 3.179: Kirinyaga County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Kerugoya Referral Hospital	1	47,562,491	21,950,617	46
2.	Kimbimbi Hospital	1	12,723,140	7,662,690	60
3.	Kianyaga Hospital	1	7,153,180	2,980,693	42
4.	Sagana Hospital	1	5,082,120	2,313,731	46
	Total		**72,520,931.00**	**34,907,730.50**	**48**

Source: *Kirinyaga County Treasury*

3.15.16 Development Expenditure

In the review period, the County reported spending Kshs.201.77 million on development programmes, representing a decrease of 46.69 per cent compared to FY 2024/25, when the County spent Kshs.378.49 million. Table 3.180 summarises the development projects with the highest expenditure in the reporting period.

The decline in development expenditure was attributed to the late equitable share of revenue disbursement and the enforcement of compliance with the mandatory use of the electronic government procurement system (eGPs).

Table 3.180: Kirinyaga County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1	Medical Services and Public Health	Upgrading of Kimbimbi Hospital	COUNTY HQs/Nyangati Ward	31-Dec-26	426,270,794	57,901,428	340,679,572	80%

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
2	Medical Services and Public Health	Upgrading of Kianyaga Hospital	COUNTY HQs/Baragwi Ward	31-Dec-26	426,070,795	34,573,961	390,355,369	92%
3	Ministry Of Environment, Water and Natural Resources	County Co-financing for FLLOCA	COUNTY HQs	0	40,000,000	40,000,000	40,000,000	100%
	Donor Funded Projects							
6	Transport and Infrastructure	Allocation of Roads Maintenance Fuel Levy Fund(RMLF) FY 2024/2025	COUNTY HQs	30-Jun-26	127,631,589	67,262,744	67,262,744	53%

Source: *Kirinyaga County Treasury*

The County reported no stalled development projects as of 30 September 2025.

3.15.17 Budget Performance by Department

Table 3.181 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.181: Kirinyaga County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	717	194				717	-	-	-	-
County Executive	444	8	58	-	58	444	100	-	13	0
Finance and Economic Planning	714	208	201	1	201	714	100	100	28	1
Medical Services and Public Health	2,338	560	260	93	260	2,338	100	100	11	17
Education	321	36	33	-	33	321	100	-	10	0
Agriculture, Livestock and Fisheries	211	422	36	-	36	211	100	-	17	0
Gender and Youth	42	106	11	-	11	42	100	-	25	0
Sports Culture and Social Services	35	19	6	-	6	35	100	-	16	0
Cooperative Development, Trade, and Tourism	44	112	3	-	3	44	100	-	7	0
Environment and Natural Resources	141	484	34	40	34	141	100	100	24	8
Lands, Housing and Urban Development	34	70	2	-	2	34	100	-	5	0
Transport and Infrastructure	122	620	24	67	24	122	100	100	20	11
TOTAL	**5,163.90**	**2,837.38**	**666.80**	**201.77**	**666.80**	**201.77**	**100**	**100**	**13**	**7**

Source: *Kirinyaga County Treasury*

Analysis of expenditure by departments shows that the Department of Medical Services and Public Health recorded the highest absorption rate of development budget at 17 per cent, followed by the Department of Transport and Infrastructure at 11 per cent. The Department of Finance and Economic Planning had the highest recurrent expenditure-to-budget ratio at 28 per cent, while the Department of Lands, Housing and Urban Development had the lowest at 5 per cent.

The low budget performance (absorption rate) was due to the delayed disbursement of the equitable share of revenue from the national government.

3.15.18 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Environment Management and Protection in the Department of Environment and Natural Resources at 84 per cent, Improvement and Development of Human Settlements in the Department of Transport and Infrastructure at 39 per cent, and Cooperative Education and Training in the Department of Cooperative Development Trade and Tourism at 41 per cent of the budget allocation. Conversely, the development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Construction and maintenance of Roads and Bridges in the Department of Transport and Infrastructure at 11 per cent, Water and Irrigation in the Department of Environment and Natural Resources at 8 per cent, Curative and Rehabilitative Services in the Department of Medical Services and Public Health at 17 per cent, and Finance Services at 1 per cent of the budget allocation.

3.15.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 305 accounts in commercial banks, including 261 accounts for Health Facilities these include 140 accounts for FIF Fund, 64 accounts for Danida grant and 57 accounts for Linda Mama, 21 accounts for Vocational Training Centres, 6 accounts for Established Funds, 11 revenue accounts, 6 special-purpose accounts (additional allocations).

The County Treasury submitted copies of the authorisation letters to the Controller of Budget for the opening of all commercial bank accounts, as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.15.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports for Kirinyaga County Bursary Fund to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 30th October 2025.
ii. The ordinary own-source revenue underperformed at Kshs46.45 million against an annual target of Kshs.399 million, representing 12 per cent of the financial year target against an expected performance of 25 per cent.
iii. Low development performance in the review period as the County incurred Kshs.201.77 million on development activities, achieving an 8 per cent absorption rate against an expected performance of 25 per cent.
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within

the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Kirinyaga County Bursary Fund, Kirinyaga County Car loan & Mortgage Scheme Fund and Kirinyaga County Alcoholic Fund were not submitted to the CoB as of 15 October 2025.

v. High level of trade payables, which amounted to Kshs.765.08 million as of 30 September 2025.

vi. Use of manual payroll. Personnel emoluments amounting to Kshs.32.95 million for 605 Casual staff not onboarded into HRIS were processed through manual payroll, accounting for 8 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*

ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*

iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

vi. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

3.16. County Government of Kisii

3.16.1 Overview of FY 2025/26 Budget

The Kisii County Approved Budget for FY 2025/26 is Kshs.18.58 billion. It comprises Kshs.7.20 billion (39 per cent) and Kshs.11.39 billion (61 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.4.05 billion (28 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.5.51 billion and a recurrent budget of Kshs.9.02 billion. The increase in the budget was primarily due to rising local revenue target.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.9.72 billion (52 per cent), additional allocations of Kshs.835.83 million (5 per cent), a cash balance of Kshs.5.41 billion (29 per cent) brought forward from FY 2024/25, Facility Improvement Fund of Kshs.1.75 billion (9 per cent), and Kshs.865 million (5 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.182.

3.16.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.4.93 billion in revenue. This amount represented an increase of 22.8 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.4.02 billion. The total revenue consisted of Kshs.1.58 billion from the equitable share of revenue raised nationally, as well as the own-source revenue (OSR) collection of Kshs.308.81 million. Additionally, the County had a cash balance of Kshs.3.05 billion from FY 2024/25. The total OSR collection of Kshs.308.81 million included Facility Improvement Financing (FIF) of Kshs.230.20 million, Kshs.1.66 million from liquor licensing, and Kshs.76.94 million from local revenue collection. Table 3.182 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.182: Kisii County, Revenue Performance in FY 2025/26

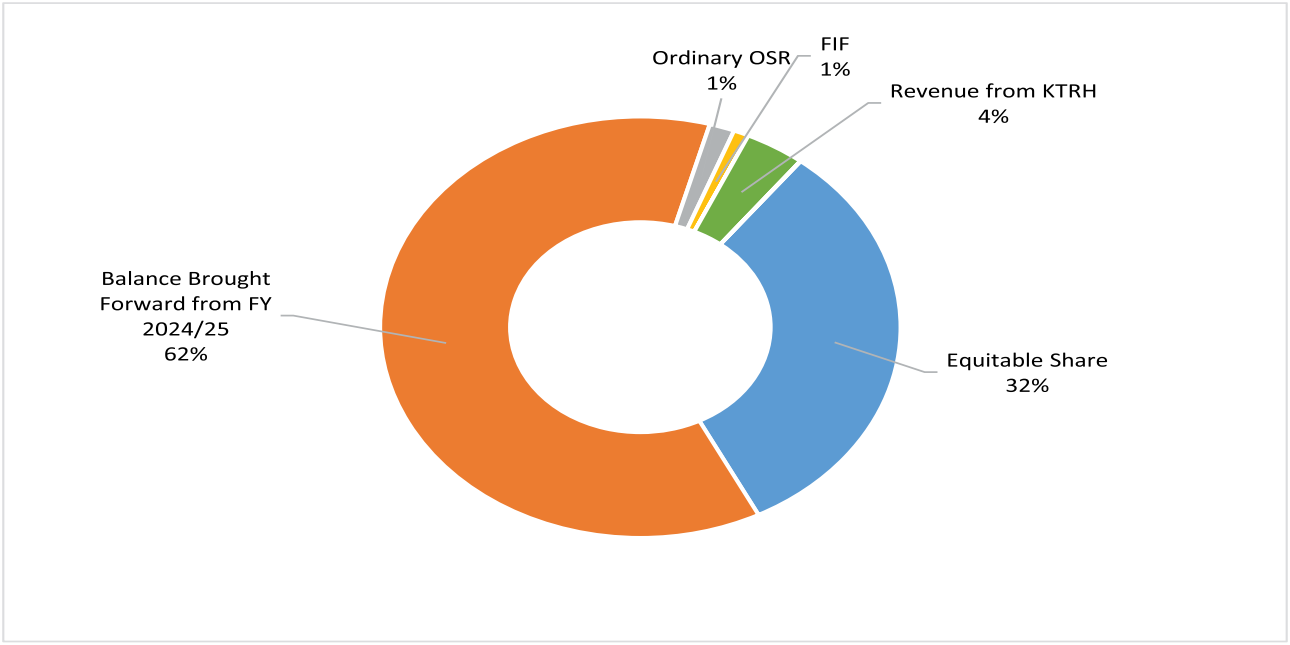
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	**9,722,580,296**	**1,576,573,849**	**16**
	Subtotal	**9,722,580,296**	**1,576,573,849**	**16**
B	**Equalisation Fund Disbursement**			
	Subtotal			
C	**Additional Allocations**			
1	Industrial Park	250,000,000	—	—
2	National Agricultural Value Chain Development Project (NAVCDP)-World Bank Credit	231,250,000	—	—
3	Urban Development Grant (UDG)	90,993,018	—	—
4	Community Health Promoters (CHPs)	88,200,000	—	—
5	Outstanding basic salaries for Health workers	72,428,277	—	—
6	KDSP I	37,500,000	—	—
7	Kenya Urban Support Programme (KUSP) Urban Institution Grant	35,000,000	—	—
8	Aquaculture Business Development Programme	21,486,575	—	—
9	DANIDA	8,856,000	—	—
10	Allocation for Mineral Royalties	117,616	—	—
	Subtotal	**835,831,486**	—	—
D	**Ordinary Own Source Revenue (OSR)**			
1	1-2101 Property rates	30,000,000.00	3,189,928	11
2	1-2201 Business Permits Current Year	230,000,000.00	6,033,592	3
3	1-2311 Fruits & Vegetables / Agricultural Produce Cess	25,000,000.00	2,653,074	11
4	1-3105 Miscellaneous income	10,000,000.00	—	—
5	1-3501 County Premises Monthly Rent	15,000,000.00	2,328,200	16
6	1-5101 Market Entrance / Gate Fee	100,000,000.00	9,650,970	10
7	1-5102 Market Plots Rent	45,000,000.00	—	—
8	1-5201 Enclosed Bus Park Fee (Matatu monthly stickers)	86,000,000.00	18,833,519	22
9	Motorcycle parking stickers	40,000,000.00	3,599,900	9
10	1-5221 Street Parking Fee	66,000,000.00	9,248,361	14
11	1-6301 Social Hall Hire	3,000,000.00	7,200	0
12	1-6311 Stadium Hire	10,000,000.00	122,201	1
13	1-8401 Slaughter House Fee	5,000,000.00	433,900	9
14	1-9112 Buildings Plan Approval Fee	60,000,000.00	11,728,032	20
15	1-9132 Sign Boards & Advertisement Fee	45,000,000.00	3,439,930	8
16	1-9201 Fire-Compliance Fee	20,000,000.00	1,525,900	8
17	Administrative fees and charges	19,000,000.00	1,334,032	7
18	Disposal of Assets	12,000,000.00	—	—
19	Environmental fees and charges	20,000,000.00	2,437,401	12
20	Weights and measures	6,000,000.00	296,660	5
21	Sale of fingerlings	6,000,000.00	75,200	1
22	Revenue from Kisii Agricultural Training Centre	12,000,000.00	—	—
	Subtotal	**865,000,000**	**76,938,000**	**9**
E	**Facility Improvement Fund (FIF)**			
1	Kisii Teaching and Referral Hospital Revenue	1,300,000,000	183,197,302	14
2	Sub-County Hospitals	400,000,000	47,006,129	12

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
Subtotal		**1,700,000,000**	**230,203,431**	**14**
F	**Other AIAs**			
G	**Balance Brought Forward from FY 2024/25**	**5,411,180,616**		
1	CRF	__	3,020,292,323	__
2	County Executive Refunds to CRF	__	28,235,083	__
3	County Assembly Refunds to CRF	__	921,455	__
Subtotal		**5,411,180,616**	**3,049,448,861**	**56**
H	**Other Sources of Revenue**			
1	Liquor Licensing Fund	50,000,000	1,664,003	3
Sub-Total		**50,000,000**	**1,664,003**	**3**
Grand Total		**18,584,592,398**	**4,934,828,144**	**27**

Source: *Kisii County Treasury*

Figure 88 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 88: Kisii County Composition of Each Shilling Received in the First Quarter of FY 2025/26

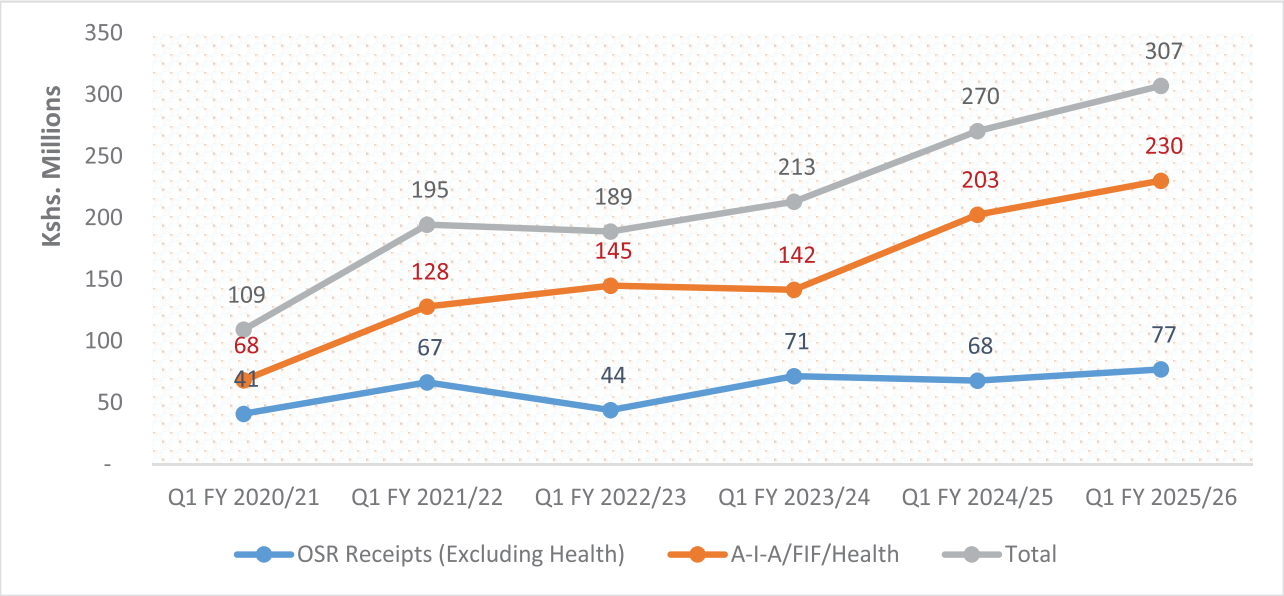


Source: *Kisii County Treasury*

The balance brought forward, along with the equitable share of revenue raised nationally and revenue from Kisii Teaching and Referral Hospital, contributed 62 per cent, 32 per cent, and 4 per cent, respectively, of the total revenue for the reporting period.

Figure 89 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 89: Kisii County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



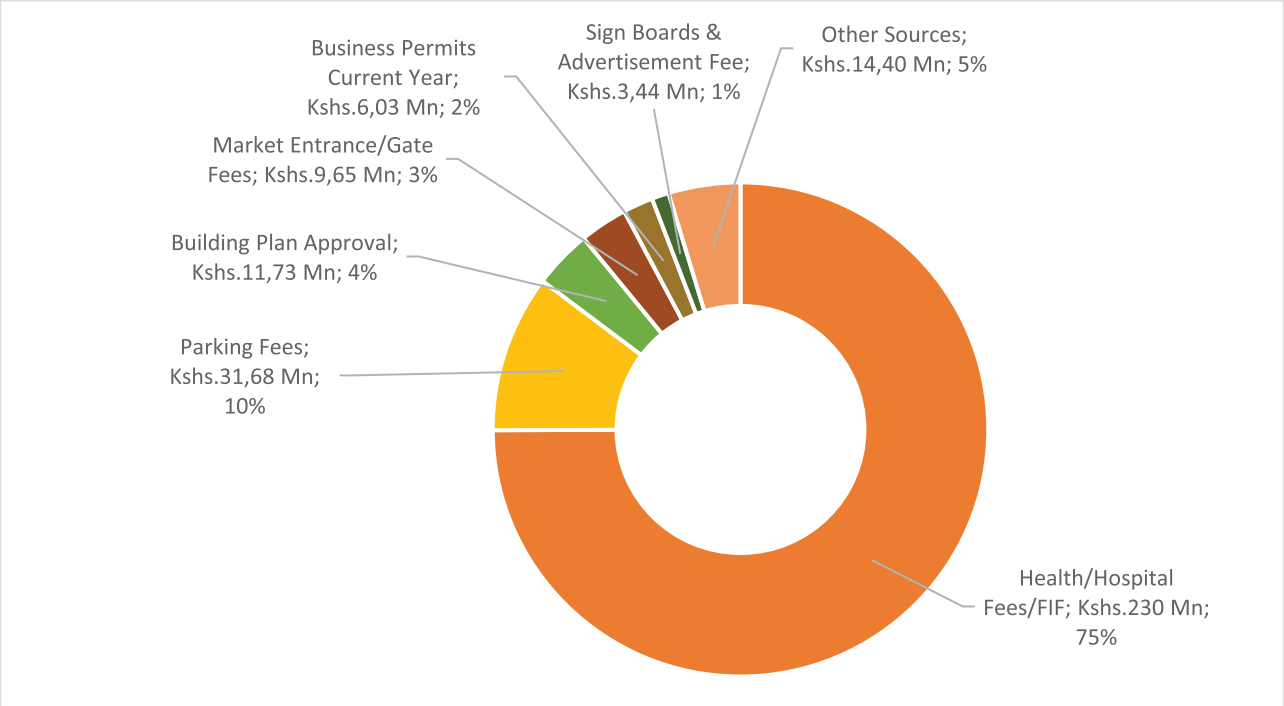
Source: *Kisii County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.307 million from its revenue sources, including FIF. This amount was an increase of 14 per cent compared to Kshs.270 million realised in a similar period in FY 2024/25, which was 12 per cent of the annual target and 19 per cent of the equitable revenue share disbursed.

The increase was attributed to the deployment of additional enforcement personnel at revenue collection outlets and the introduction of penalties for vendors/clients operating without licences and for late payments.

The revenue streams that contributed the most to OSR receipts are shown in Figure 90.

Figure 90: Kisii County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kisii County Treasury

As shown in Figure 90, the highest revenue stream, at Kshs.230.20 million, was from Health/Hospital Fees/FIF,

accounting for 75 per cent of the total OSR receipts. The County Government indicated that it has automated all 22 revenue streams.

3.16.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.943.06 million, this amount increased to Kshs.1.79 billion as of September 30, 2025. Table 3.2 presents a breakdown of the County's revenue arrears.

Table 3.183: Kisii County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September 2025	__	__	__	785,577,741	785,577,741
	Sub-Total	__	__	__	**785,577,741**	**785,577,741**
B	**Ordinary Own Sources of Revenue**					
1	**Land rate**	620,498,120	__	__	__	**620,498,120**
	Sub-Total	**620,498,120**	__	__	__	**620,498,120**
E	**Facility Improvement Fund (FIF)**					
1	SHIF	152,000,840	__	36,418,608	94,728,726.00	210,310,958
2	Defunct NHIF	124,122,997	__		__	124,122,997
3	Insurance Companies	40,528,661	__	17,168,130	19,909,464.60	43,269,996
4	Incineration debtors	5,911,438	__	__	__	5,911,438
	Sub-Total	**322,563,936**	__	**53,586,738**	**114,638,191**	**383,615,389**
Total		**943,062,056**	__	**53,586,738**	**900,215,932**	**1,789,691,250**

Source: *Kisii County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.1.79 billion, comprising Kshs.785.58 million for Equitable share of revenue raised nationally for September 2025 (44 per cent), Kshs.620.50 for Ordinary Source Revenue (Land Rate) (35 per cent), Kshs.383.62 million for Facility improvement fund (FIF) (21 per cent). The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include enhanced enforcement through the issuance of demand notices. A task force has been formed to examine uncollectible arrears and issue a report on the matter.

3.16.4 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.66 billion from the CRF account during the reporting period, which comprised Kshs.103.34 million (6 per cent) for development programmes and Kshs.1.56 billion (94 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.48 billion was towards employee compensation and Kshs.81.46 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 38 per cent was for domestic travel. The domestic travel exchequer was for the County Assembly.

As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.3.02 billion.

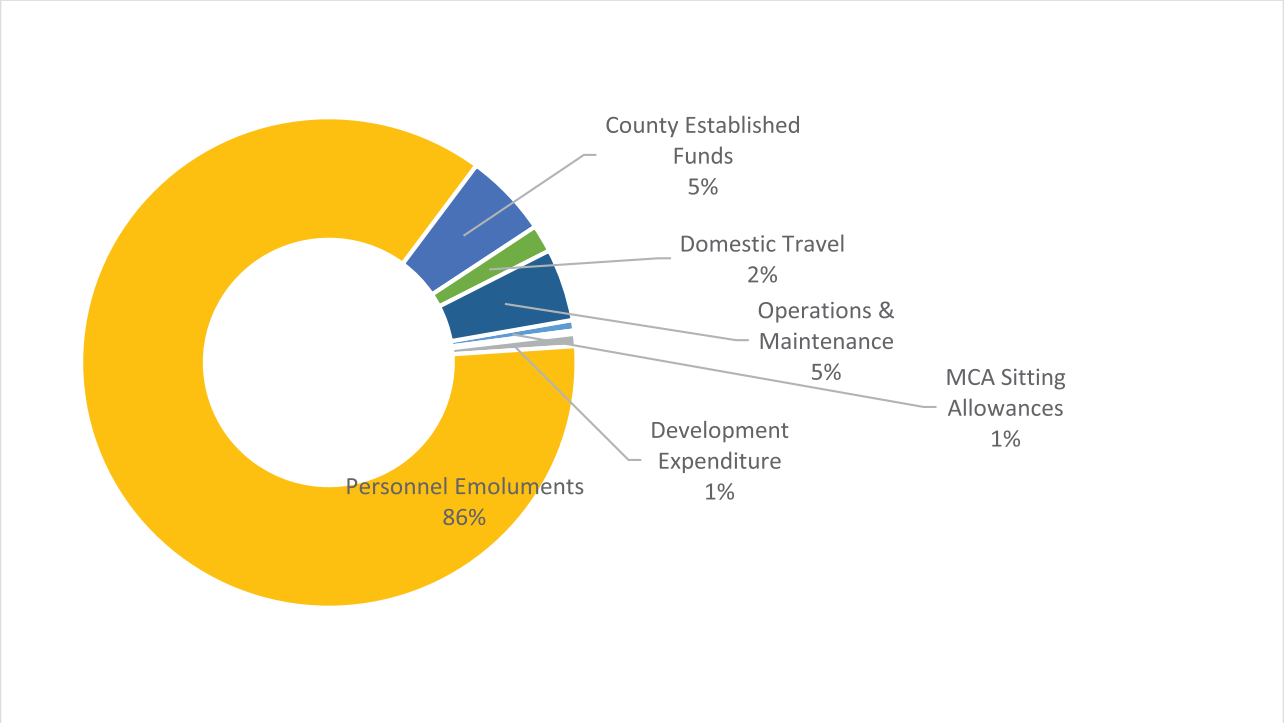
3.16.5 Expenditure Review

The County spent Kshs.1.57 billion on development and recurrent programmes in the reporting period. The expenditure represented 95 per cent of the total funds released by the CoB. It comprised Kshs.13.67 million for development programmes and Kshs.1.56 billion for recurrent programmes. Expenditure on development

programmes accounted for less than 1 per cent, while recurrent expenditure accounted for 14 per cent of the annual recurrent expenditure budget.

Figure 91 provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 91: Kisii County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Kisii County Treasury*

As shown in Figure 91, the three highest expenditure categories were; Personnel Emoluments, Operations and Maintenance, and County Established Funds, which contributed 86 per cent, 5 per cent, and 5 per cent of the total expenditure for the reporting period.

3.16.6 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.40 billion. This amount included Kshs.1.36 billion from the County Executive and Kshs.44.13 million from the County Assembly. The trade payables from the County Executive totalled Kshs.963.06 million for recurrent expenditures and Kshs.394.63 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.452.73 million for recurrent programmes. On the other hand, the County Assembly did not settle any trade payables during the reporting period. The outstanding trade payables as of 30th September 2025 were Kshs.904.96 million for the County Executive and Kshs.44.13 million for the County Assembly. Table 3.184 provides additional details of trade payables.

Table 3.184: Kisii County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	394,625,524	963,064,732	**1,357,690,256**
		County Assembly	35,693,891	8,435,944	44,129,835
		Total	**430,319,415**	**971,500,676**	**1,401,820,091**

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	110,429,788	518,724,392	629,154,180
		County Assembly	7,262,308	__	7,262,308.00
		Total	**117,692,096**	**518,724,392**	**636,416,488**
Amount paid in FY 2025/26	c	County Executive	__	452,734,176	452,734,176
		County Assembly	__	__	__
		Total	__	**452,734,176**	**452,734,176**
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	**394,625,524**	**510,330,556**	**904,956,080**
		County Assembly	**35,693,891**	**8,435,944**	**44,129,835**
		Total	**430,319,415**	**518,766,500**	**949,085,914**

Source: *Kisii County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.815.77 million and Kshs.35.57 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it only made payments of Kshs.452.73 million for recurrent under the County Executive in the first quarter.

Table 3.185 and Table 3.186 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.949.09 million.

Table 3.185: Kisii County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**339,149,851**	**44,670,868**	**10,107,103**	**697,702**	**394,625,524**
Recurrent Trade Payables (Goods & Services)	257,122,509	73,195,828	45,036,974	47,839,256	**423,194,568**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	3,720,410	60,754,695	580,410	-	**65,055,515**
Recurrent Trade Payables (Staff Claims)	6,709,900	8,535,300	6,326,923	508,350	**22,080,473**
Total Recurrent Trade Payables	**267,552,819**	**142,485,823**	**51,944,307**	**48,347,607**	**510,330,556**
Total Trade Payables	**606,702,670**	**187,156,692**	**62,051,410**	**49,045,309**	**904,956,080**
% of Total	**67%**	**21%**	**7%**	**5%**	**100%**

Source: *Kisii County Treasury*

The County Executive reported trade payables ageing as follows; Kshs.606.70 million under one year (67 per cent), Kshs.187.16 million over one year (21 per cent), Kshs.62.05 million over two years (7 per cent), and Kshs.49.05 million over 3 years (5 per cent) of the total trade payables of Kshs.904.96 million.

Table 3.186: Kisii County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**35,693,890**	**0**	**0**	**0**	**35,693,890**
Recurrent Trade Payables (Goods & Services)	1,773,078	400,000	0	0	**2,173,078**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	6,262,866	0	0	0	**6,262,866**
Recurrent Trade Payables (Staff Claims)	0	0	0	0	**0**
Total Recurrent Trade Payables	8,035,944	400,000	0	0	**8,435,944**
Total Trade Payables	**43,729,834**	**400,000**	**0**	**0**	**44,129,834**
% of Total	**99%**	**1%**	**%**	**%**	**100%**

Source: *Kisii County Treasury*

The County Assembly reported trade payables ageing over one year of Kshs.400,000 as shown above, accounting for 1 per cent of the total trade payables of Kshs.44.13 million. Additionally, the County Assembly also re-

ported trade payables ageing under one year of Kshs.43.73 million accounting for 99 per cent of the total trade payables of Kshs.44.13 million.

3.16.7 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.37 billion for compensation of employees, Kshs.45.50 million for operations and maintenance, and Kshs.13.67 million for development activities. Similarly, the County Assembly spent Kshs.107.51 million on compensation of employees, and Kshs.35.95 million on operations and maintenance, as shown in Table 3.187.

Table 3.187: Kisii County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**10,337,039,751**	**1,051,143,180**	**1,413,674,417**	143,467,839	14	14
Compensation of Employees	6,604,960,629	652,341,142	1,368,171,617	107,513,687	21	16
Operations and Maintenance	3,732,079,122	398,802,038	45,502,800	35,954,152	1	9
Development Expenditure	**7,178,409,467**	**18,000,000**	**13,666,444**	—	—	—
Total	**17,515,449,218**	**1,069,143,180**	**1,427,340,861**	**143,467,839**	**8**	**13**

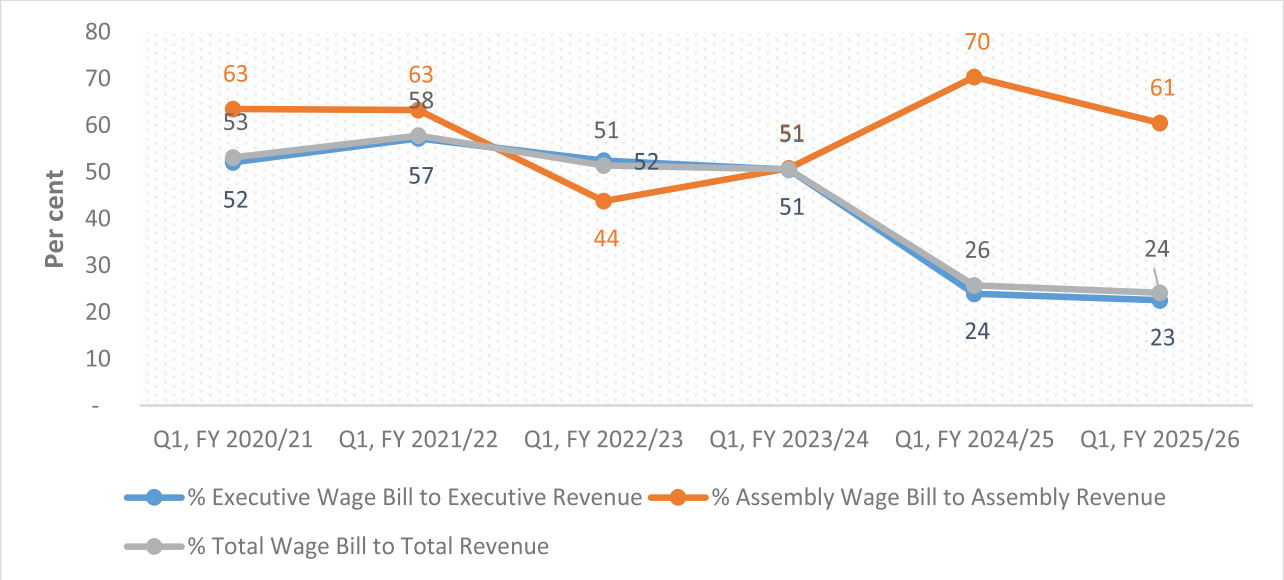
***Source**: Kisii County Treasury*

3.16.8 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.48 billion. The compensation-to-revenue ratio was 31 per cent of the available revenue of Kshs.4.93 billion. This expenditure on employee compensation shows an increase compared to the Kshs.983.81 million reported in a similar period in FY 2024/25. Of this total, Kshs.612.60 million was related to Health Sector employees, accounting for 42 per cent of the overall employees' compensation.

Figure 92 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 92: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Kisii County Treasury

As shown in Figure 92, the County Assembly allocated between 70 per cent and 63 per cent of its revenue received in the first quarters of FY 2020/21 to FY 2025/26 to employee compensation. In the first quarter of FY

2025/26, the Assembly apportioned 61 per cent towards the same. The County Executive apportioned between 52 and 23 per cent of its revenue towards employee compensation, with the drop to 23 per cent in the first quarter of FY 2025/26 attributed to the large balance brought forward from FY 2024/25.

Further analysis revealed that PE costs totalling Kshs.1.48 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.10.61 million was processed through manual payroll, which accounted for 1 per cent of the total PE cost.

The manual payroll included salaries for gratuity remittances to pension schemes for staff on contract, as well as LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.188.

Table 3.188: Breakdown of Kisii County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Gratuity for contract staff	10,612,499
	Total	**10,612,499**

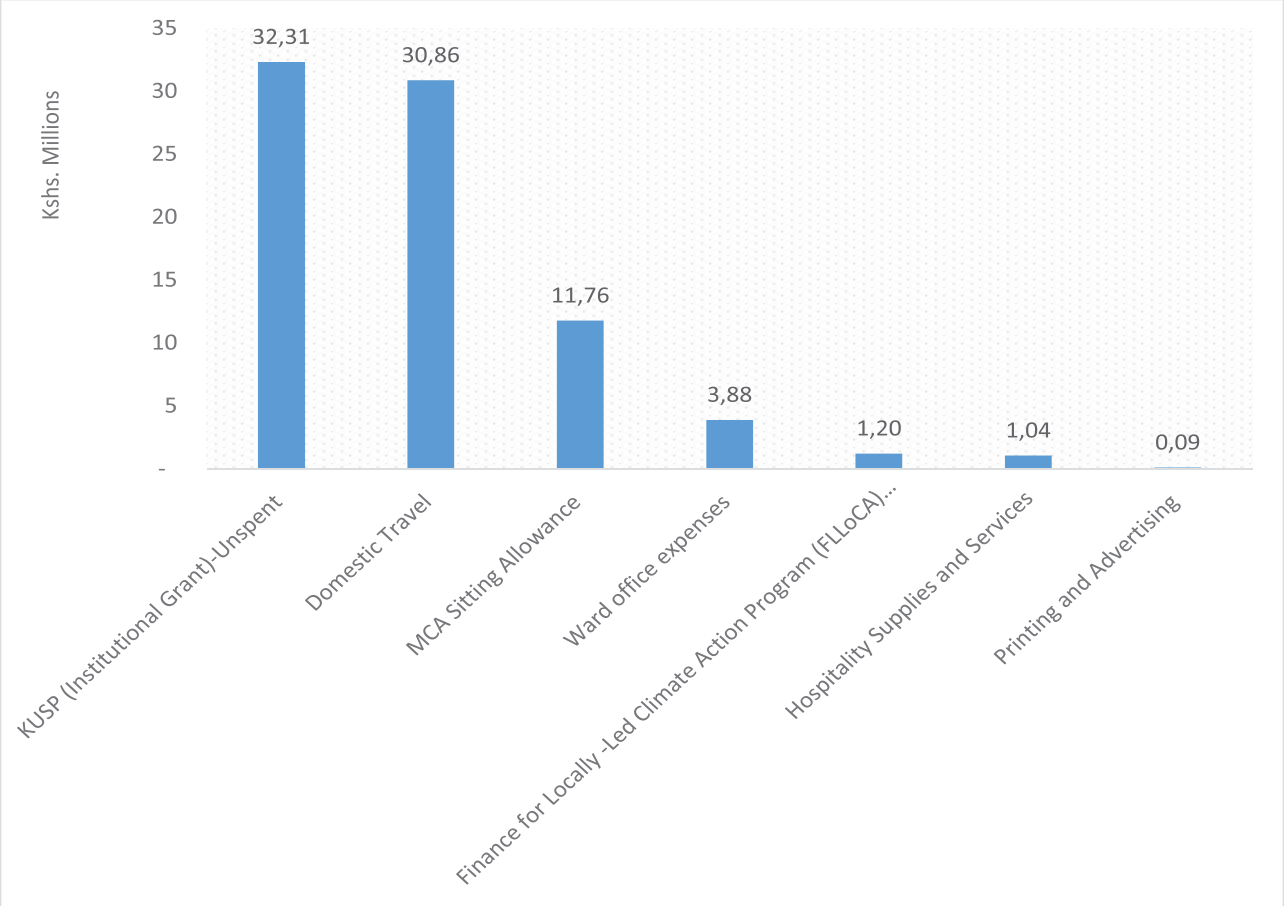
Source: Kisii County Treasury

The County Assembly spent Kshs.11.76 million on committee sitting allowances for the 71 MCAs against the annual budget allocation of Kshs.65 million. The average monthly sitting allowance was Kshs.55,225 per MCA. The County Assembly has 20 House Committees.

3.16.9 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.165.62 million on operations and maintenance, representing an increase of 18 per cent compared to a similar period in FY 2024/25, when the County spent Kshs.140.82 million. Figure 93 summarises the Operations and Maintenance expenditure by major categories.

Figure 93: Kisii County, Operations and Maintenance Expenditure by Major Categories



Source: *Kisii County Treasury*

3.16.10 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.1.85 billion to County-established funds in FY 2025/26, or 10 per cent of the County's overall budget. Furthermore, the County allocated Kshs.100 million to the Emergency Fund (1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.189 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.189: Performance of Kisii County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	County Emergency Fund	2015	100,000,000	__	6,102,978	131,601,911	Yes
	Health Fund (KTRH)	2014	1,300,000,000	__	183,197,302	__	Yes
	Health Fund (FIF)	2020	400,000,000	__	__	__	Yes
	Liquor Licensing Fund	2015	50,000,000	__	__	__	Yes
	Total		**1,850,000,000**		**189,300,280**	**131,601,911**	

Source: *Kisii County Treasury*

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Health Fund (KTRH) had lapsed.

3.16.11 County Corporations

The County has one County Corporations, which was allocated Kshs.1.3 billion in FY 2025/26. There was no expenditure in the period under review as shown in Table 3.190.

Table 3.190: Performance of County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Kisii Teaching and Referral Hospital (KTRH)	1,300,000,000	__	__	__
	Total	1,300,000,000	-	-	-

Source: *Kisii County Treasury*

3.16.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.30.86 million, spent by the County Assembly. There was no expenditure on foreign travel.

3.16.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.230.20 million as FIF, which was 14 per cent of the annual target of Kshs.1.7 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023. The expenditure by the health facilities amounted to Kshs.260.69 million, as shown in Table 3.191.

Table 3.191: Kisii County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Kisii Teaching and Referral Hospital (KTRH)	1	1,300,000,000	183,197,302	14
2.	19 Level 4 Health Facilities	19	400,000,000	47,006,129	12
	Total	**20**	**1,700,000,000**	**230,203,431**	**14**

Source: *Kisii County Treasury*

3.16.14 Development Expenditure

During the review period, the County reported spending Kshs.13.67 million on development programmes, compared to FY 2024/25, when the County did not report any expenditure on development. Table 3.192 summarises the development projects with the highest expenditure in the reporting period.

Table 3.192: Kisii County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	Agriculture, Livestock, Fisheries and Co-operative Development	National Agricultural Value Chain Development Project (WB Contribution)	All wards	—	—	4,676,050	4,676,050	2%
	Environment	Rehabilitation/ Reforestation of Ndonyo Community Forest, and forest demarcation			2,000,000	1,999,900	1,999,900	100%
	Environment	Seedling propagation through the establishment of grafted fruit tree nurseries at Nyangusu for the restoration of catchment areas	Bassi Bogetaorio	30/6/2026	3,000,000	2,999,994	2,999,994	100%
	Environment	Seedling propagation through the establishment of indigenous tree nurseries for the restoration of catchment areas	Masige East	30/6/2026	1,500,000	1,499,000	1,499,000	100%
	Environment	Soil health improvement through soil testing (purchase of soil kits for soil testing)	9 sub Counties	30/6/2026	1,500,000	1,499,000	1,499,000	100%
	Environment	Soil/land conservation and planting of indigenous trees	Nyakoe	30/6/2026	1,000,000	992,500	992,500	—

Source: *Kisii County Treasury*

The County Assembly reported two stalled development projects as of 30 September 2025, with an estimated value of Kshs.29.40 million, of which Kshs.11.28 million had already been paid. The stalled projects are shown in Table 3.193.

Table 3.193: Kisii County Assembly Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Proposed Construction of Ward Offices	Bogiakumu	7,350,466	6,004,289.50	1,346,177	82	Contract Terminated
Proposed Construction of Ward Offices	Ibeno, Boikanga and Boochi	22,051,395	5,274,927	16,776,468	24	Contract Terminated
Total		**29,401,861**	**11,279,216.5**	**18,122,645**	**61**	

Source: Kisii County Treasury

3.16.15 Budget Performance by Department

Table 3.194 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.194: Kisii County, Budget Allocation and Absorption Rate by Department

Department	Approved Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive and Public Service Board	563.61	200.00	62.14	__	62.14	__	100	__	11	__
Administration and Stakeholder Management	674.08	35.19	135.80	__	135.80	__	100	__	20	__
Finance and Economic Planning	1,308.21	3.00	151.82	__	151.82	__	100	__	11	__
Agriculture and Co-operative Development	289.29	376.26	63.92	71.25	63.92	4.68	100	7	22	1
Energy, Water, Environment, and Natural Resources	108.69	1,450.70	18.65	32.08	18.65	8.99	100	28	17	1
Education, Youth Affairs and Social Development	886.72	453.46	185.93	__	185.93	__	100	__	21	__
County Health Services	5,576.72	882.08	624.59	__	624.59	__	100	__	11	__
Lands, Physical Planning and Urban Development	250.48	192.69	51.81	__	51.81	__	100	__	21	__
Roads, Public Works and Transport	254.27	2,363.99	51.77	__	51.77	__	100	__	20	__
Trade Development, Industry and Tourism	77.87	497.73	16.10	__	16.10	__	100	__	21	__
Culture and Social Services	167.55	262.90	19.88	__	19.88	__	100	__	12	__
Kisii Municipality	104.56	401.33	22.82	__	22.82	__	100	__	22	__
Ogembo Municipality	14.99	59.10	1.00	__	1.00	__	100	__	7	__

Department	Approved Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the County Attorney	60.00	-	7.45	__	7.45	__	100	__	12	__
County Assembly	1,051.14	18.00	144.16	__	143.47	__	100	__	14	__
Total	**11,388.18**	**7,196.41**	**1,557.84**	**103.34**	**1,557.14**	**13.67**	**100**	**13**	**14**	**0**

***Source**: Kisii County Treasury*

Analysis of expenditure by departments shows that the Department of Agriculture and Co-operative Development recorded the highest absorption rate of development budget at 1 per cent, followed by the Department of Energy, Water, Environment and Natural Resources at less than 1 per cent. The Department of Agriculture and Co-operative Development had the highest percentage of recurrent expenditure to budget at 22 per cent, while the Department of Ogembo Municipality had the lowest at 7 per cent.

3.16.16 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Crop Development in the Department of Agriculture and Livestock Development at 2 per cent, and Maintenance and Enhancement of Vegetation Cover in the Department of Energy, Water, Environment and Natural Resources at 1 per cent, of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Human Resource Management in the Department of Agriculture and Livestock Development at 22 per cent, County Assembly Administration in the County Assembly at 14 per cent, and County Assembly headquarters in the County Assembly at 12 per cent of the budget allocation.

3.16.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 14 accounts in commercial banks, including three accounts for Health Facilities, seven accounts for Established Funds, one revenue account, one special-purpose account (for additional allocations), and two imprest accounts.

The County Treasury submitted copies of authorisation letters to the Controller of Budget for opening the commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.16.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.308.81million against an annual target of Kshs.2.62 billion, representing 12 per cent of the financial year target.
ii. Low development performance in the review period as the County incurred Kshs.13.67 million on development activities, achieving less than 1 per cent absorption rate.

iii. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the KTRH Health Fund had lapsed, making it ineligible for further withdrawals.
iv. High level of trade payables, which amounted to Kshs.949.09 million as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury and the County Assembly.
v. Use of manual payroll. Personnel emoluments amounting to Kshs.10.61 million for Gratuity for contract staff were processed through manual payroll, accounting for 1 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
vi. The County reported revenue arrears of Kshs.1.79 billion, comprising the Equitable Share for September 2025 of Kshs.785.58 million, ordinary OSR (land rates arrears) of Kshs.620.50 million, and FIF arrears of Kshs.383.62 million. These revenue arrears limited funding for County activities.
vii. The County Assembly has stalled projects valued at Kshs.29.40 million, with Kshs.11.28 million paid (61 per cent). The stalling of the projects was attributed to contract terminations.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
iv. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
v. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vi. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*
vii. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is essential to start projects only with secured funding, and to maintain a register of multi-year obligations to align projects with the budget.*

3.17. County Government of Kisumu

3.17.1 Overview of FY 2025/26 Budget

The Kisumu County Approved Budget for FY 2025/26 is Kshs.16.33 billion. It comprises Kshs.5.97 billion (37 per cent) and Kshs.10.37 billion (63 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.1.03 billion (7 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.5.03 billion and a recurrent budget of Kshs.10.27 billion. The increase in the budget was primarily attributed to the rise in the equitable share of revenue and conditional grants.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.8.90 billion (55 per cent), additional allocations of Kshs.2.24 billion (14 per cent), a cash balance of Kshs.1.56 billion (10 per cent) brought forward from FY 2024/25, and Kshs.3.63 billion (21 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.195.

3.17.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.3.17 billion in revenue. This amount represented an increase of 37 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.32 billion. The total revenue consisted of Kshs.1.43 billion from the equitable share of revenue raised nationally, and own-source revenue (OSR) collection of Kshs.184.63 million. Additionally, the County had a cash balance of Kshs.1.56 billion from FY 2024/25. The total OSR collection of Kshs.184.63 million included Facilities Improvement Financing (FIF) of Kshs.60.13 million, and Kshs.124.50 million from other OSR sources. Table 3.195 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.195: Kisumu County, Revenue Performance in FY 2025/26

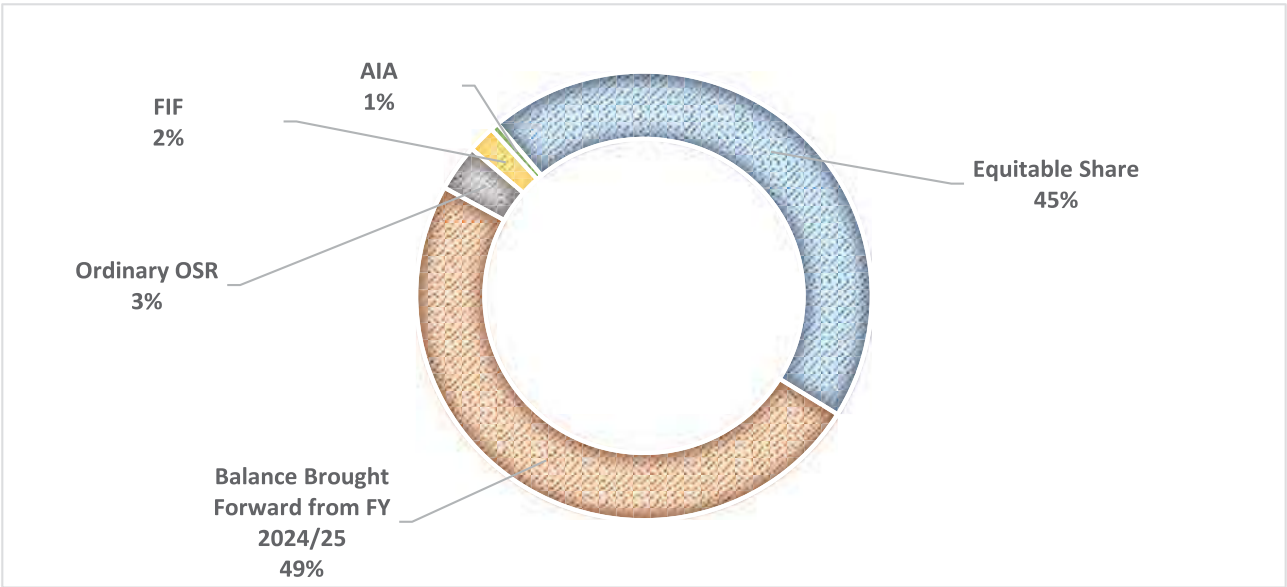
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	**8,902,026,938**	**1,426,614,996**	**16**
Subtotal		**8,902,026,938**	**1,426,614,996**	**16**
B	**Equalisation Fund Disbursement**			
Subtotal			**1,426,614,996**	
C	**Additional Allocations**			
1	Danida Grant	23,123,790	-	-
2	Finance Locally – Led Climate Action Plan (FLLOCA)	137,500,000	-	-
3	KISIP	845,000,000	-	-
4	IDA – World Bank Credit: Finance Agricultural Value Chain Development Project (NAVCDP)	157,535,352	-	-
5	Aquaculture Business Development Project (ABDP)	37,326,163	-	-
6	PrAEctice	20,000,000	-	-
7	Allocation for Court Fines	66,912	-	-
8	KDSP II Level I	37,500,000	-	-
9	KDSP II Level II	352,500,000	-	-
10	Community Health Promoters	165,339,627	-	-
11	Change-Maker	15,000,000	-	-
12	IDA -World Bank Credit: Kenya Urban Support Project – Urban Development Grant (UDG)	36,634,916	-	-
13	IDA – World Bank Credit: Kenya Urban Support Project - Urban Institutional Grant (UIG)	340,394,236	-	-
14	Kenya Dairy Enterprise Development	400,391	-	-
15	Transforming Health Centre	544,976	-	-
16	RMLF	68,301,577	-	-
Subtotal		**12,699,029,937**	-	-
D	**Ordinary Own Source Revenue (OSR)**			
1	Land Rates	199,897,898	15,913,236	8
2	Rents	20,447,477	1,942,446	9
3	Trade Licence Fees	192,900,477	10,451,467	5
4	Building Plans	29,074,445	9,908,370	34
5	Sign Board Promotion	170,957,831	16,422,626	10
6	Bus Park Fees	51,504,963	17,310,420	34
7	Parking Fees	34,932,941	13,038,580	37
8	Reserved Slot	5,851,300	780,000	13
9	Monthly Stickers	20,645,100	16,500	0
10	Clamping Fees	59,730	43,250	72
11	Market Fees	58,743,935	16,681,872	28
12	Stock Ring	2,681,910	476,951	18

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
13	Cess	51,280,480	3,526,956	7
14	Livestock Movement Permit	7,110	2,150	30
15	Sundry Revenue	26,764,620	79,002	0
Subtotal		865,750,217	106,514,824	**12**
E	**Facility Improvement Fund (FIF)**			
1	FIF	800,000,000	60,128,322	8
Subtotal		**800,000,000**	**60,128,322**	**8**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	1,559,835,059	1,559,835,059	100
Subtotal		**1,559,835,059**	**1,559,835,059**	**100**
H	**Other Sources of Revenue**			
1	Public Health	8,611,102	1,846,300	21
2	Agriculture, Fisheries, Livestock Development and Irrigation	4,690,648	1,846,515	39
3	Sports, Culture, Gender and Youth Affairs	1,831,930	5,542,080	303
4	Water, Environment, Natural Resources and Climate Change	7,583,106	3,907,400	52
5	Trade, Tourism, Industry and Marketing	1,782,940	952,550	53
6	Lands, Housing and Physical Planning and Housing	30,935,996	175,850	1
7	Liquor License	20,689,028	3,716,105	18
8	Public Service, County Administration, Participatory Development and Office of the Governor	23,666,397	-	-
Sub-Total		**99,791,147**	**17,986,801**	**18**
Grand Total		**16,331,524,163**	**3,171,080,002**	**19**

Source: *Kisumu County Treasury*

The County has no governing legislation on the operation of ordinary A-I-A and FIF. Figure 94 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

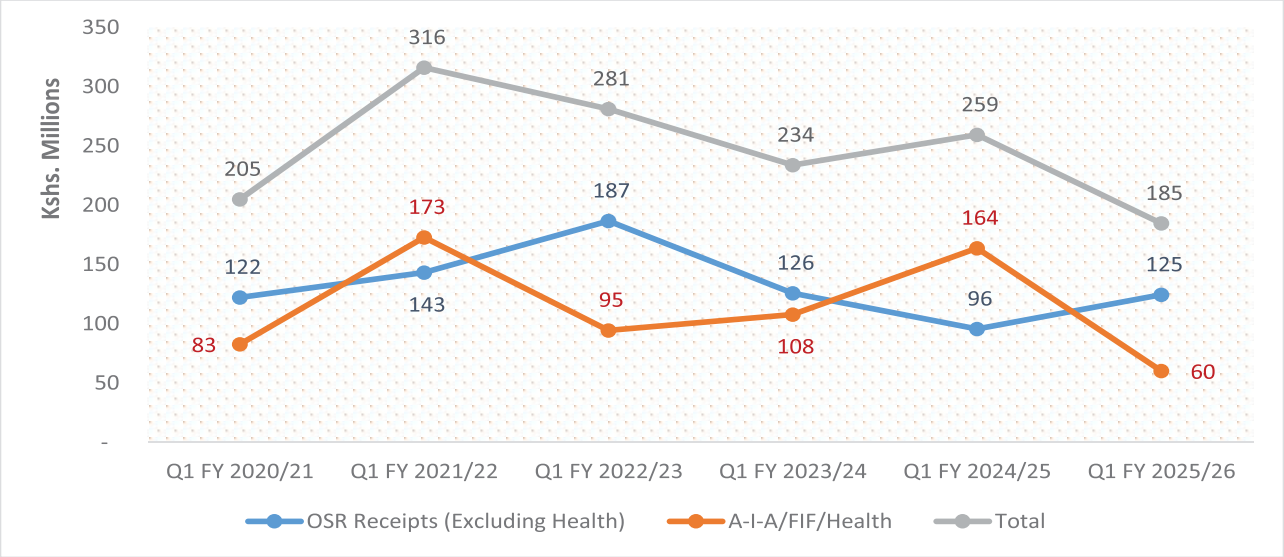
Figure 94: Kisumu County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kisumu County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 45 per cent, 49 per cent and 3 per cent, respectively, of the total receipts for the reporting period. Figure 95 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 95: Kisumu County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



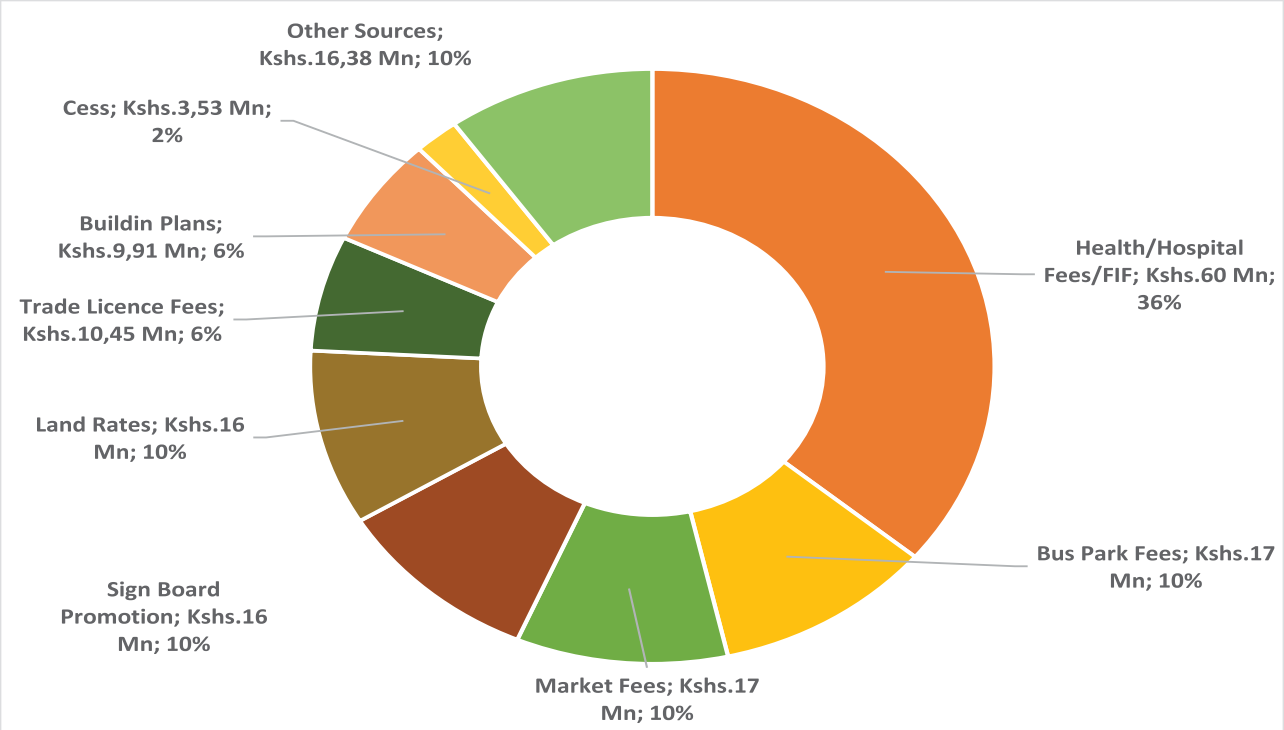
Source: *Kisumu County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.184.63 million from its revenue sources, including FIF. This amount was a decrease of 29 per cent compared to Kshs.259.36 million realised in a similar period in FY 2024/25, which was 5 per cent of the annual target and 13 per cent of the equitable revenue share disbursed.

The decrease in OSR was attributed to the elevation of Jaramogi Oginga Odinga Teaching and Referral Hospital, which used to generate more revenue for the County to level 6 facility and which was handed over to the National Government at the beginning of the current Financial Year.

The revenue streams which contributed the highest OSR receipts are shown in Figure 96.

Figure 96: Kisumu County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kisumu County Treasury

As shown in Figure 96, the highest revenue stream, at Kshs.60.13 million, was from the Facility Improvement

Fund, accounting for 33 per cent of the total OSR receipts. The County Government indicated that it has automated 24 of 27 revenue streams.

3.17.3 Revenue Arrears

During the period under Review, the County did not report on the Revenue Arrears.

3.17.4 Borrowing by the County

Kisumu County Executive has a credit facility with Kenya Commercial Bank totalling Kshs.289.07 million. The credit facility was utilised to cover salaries during the review period, due to a delay in cash disbursements to Counties by the National Treasury. The County Assembly did not borrow.

3.17.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.43 billion from the CRF account during the reporting period, which comprised Kshs.38.30 million (3 per cent) for development programmes and Kshs.1.40 billion (97 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.33 billion was towards employee compensation and Kshs.61.81 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 32 per cent was for domestic travel and 5 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.21.71 million and included Kshs.11.32 million for the County Executive and Kshs.10.38 million for the County Assembly. The foreign exchequer totalled Kshs.3.06 million, all for the County Executive.

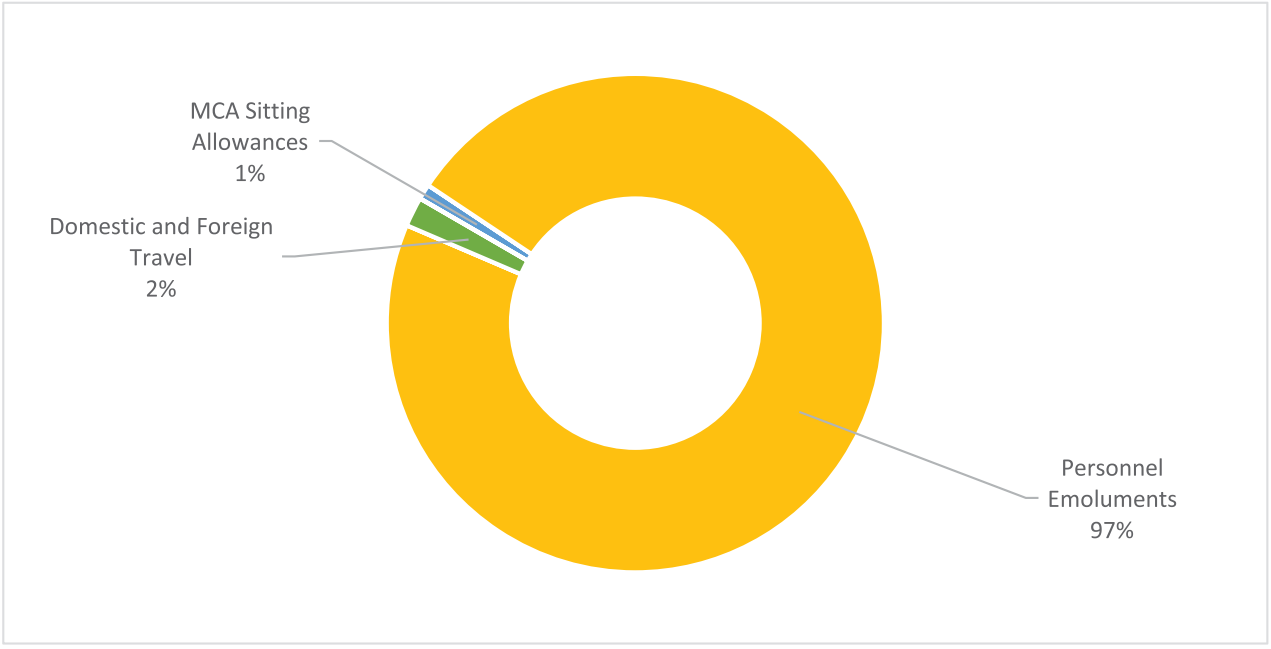
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.746.32 million.

3.17.6 Expenditure Review

The County spent Kshs.1.40 billion in the reporting period, which was entirely incurred on recurrent programmes. The expenditure represented 98 per cent of the total funds released by the CoB. Recurrent expenditure accounted for 13 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 97: Kisumu County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Kisumu County Treasury*

As shown in Figure 97, the three highest expenditure categories were Personnel Emoluments, Domestic and Foreign Travel, and MCA's Sitting Allowances, which contributed 97 per cent, 2 per cent, and 1 per cent of total expenditure for the reporting period, respectively.

3.17.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.4.09 billion. This amount included Kshs.4.07 billion from the County Executive and Kshs.14.09 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.2.76 billion for recurrent expenditures and Kshs.1.32 billion for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.446.43 million, which were incurred on recurrent programmes. On the other hand, the County Assembly settled trade payables worth Kshs.2.01 million for recurrent activities. The outstanding trade payables as of 30th September 2025 were Kshs.3.64 billion for the County Executive and Kshs.12.08 million for the County Assembly. Table 3.196 provides additional details of trade payables.

Table 3.196: Kisumu County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	1,323,943,570	2,750,257,809	4,074,201,379
		County Assembly	-	14,094,655	14,094,655
		Total	1,323,943,570	2,764,352,464	4,088,296,034
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	103,839,878	1,020,546,391	1,124,386,269
		County Assembly	-	8,323,604	8,323,604
		Total	-	1,028,869,995	1,132,709,873
Amount paid in FY 2025/26	c	County Executive	-	444,418,919	444,418,919
		County Assembly	-	2,011,795	2,011,795
		Total	-	446,430,714	446,430,714
Trade Payables Incurred in First Quarter of FY 2025/26	d	County Executive	-	-	-
		County Assembly	-	-	-
		Total	-	-	-
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	**1,323,943,570**	**2,317,921,750**	**3,641,865,320**
		County Assembly	**-**	**12,082,860**	**12,082,860**
		Total	**1,323,943,570**	**2,330,004,610**	**3,653,948,180**

Source: *Kisumu County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.2.55 billion and Kshs.14.09 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs.444.42 million for the Executive and Kshs.2.01 million for the Assembly.

Table 3.197 and Table 3.198 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.3.65 billion.

Table 3.197: Kisumu County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**345,080,711.70**	**378,104,743.54**	**67,166,025**	**533,592,089.60**	**1,323,943,569.84**
Recurrent Trade Payables (Goods & Services)	628,257,393	327,789,027	129,290,023	-	**1,323,943,570**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	553,678,114	1,121,604.50	415,792,565.68	226,746,707.10	**1,085,336,443**

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Recurrent Trade Payables (Staff Claims)	25,497,407	6,965,704	326,015	445,395	**33,234,521**
Total Recurrent Trade Payables	1,207,432,914	335,876,335.50	545,408,603.68	227,192,102	**2,315,909,955**
Total Trade Payables	**1,552,513,626**	**713,981,079.04**	**612,574,628.68**	**760,784,192**	**3,639,853,525**
% of Total	**43%**	**20%**	**17%**	**20%**	**100%**

Source: *Kisumu County Treasury*

Table 3.198: Kisumu County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	-	-	-	-	-
Recurrent Trade Payables (Goods & Services)	7,525,246	-	-	-	**7,525,246**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Trade Payables (Staff Claims)	6,569,409	-	-	-	**6,569,409**
Total Recurrent Trade Payables	14,094,655	-	-		**14,094,655**
Total Trade Payables	**14,094,655**	-	-	-	**14,094,655**
% of Total	**100%**	-	-	-	**100%**

Source: *Kisumu County Treasury*

During the period under review, neither the County Executive nor the County Assembly adhered to the trade payables payment plan.

3.17.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.19 billion for compensation of employees, Kshs.113.05 million for operations and maintenance, and nil expenditure on development activities. Similarly, the County Assembly spent Kshs.64.18 million on compensation of employees, Kshs.10.38 million on operations and maintenance, and nil on development activities, as shown in Table 3.199.

Table 3.199: Kisumu County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**9,504,249,249**	**862,083,652**	**1,306,853,222**	**74,567,405**	**14**	**9**
Compensation of Employees	5,201,915,537	352,864,077	1,193,799,691	64,183,958	23	18
Operations and Maintenance	4,302,333,712	509,219,575	113,053,531	10,383,447	3	2
Development Expenditure	**5,865,191,262**	**100,000,000**	-	-	-	-
Total	**15,369,440,511**	**962,083,652**	**1,306,853,222**	**74,567,405**	**9**	**8**

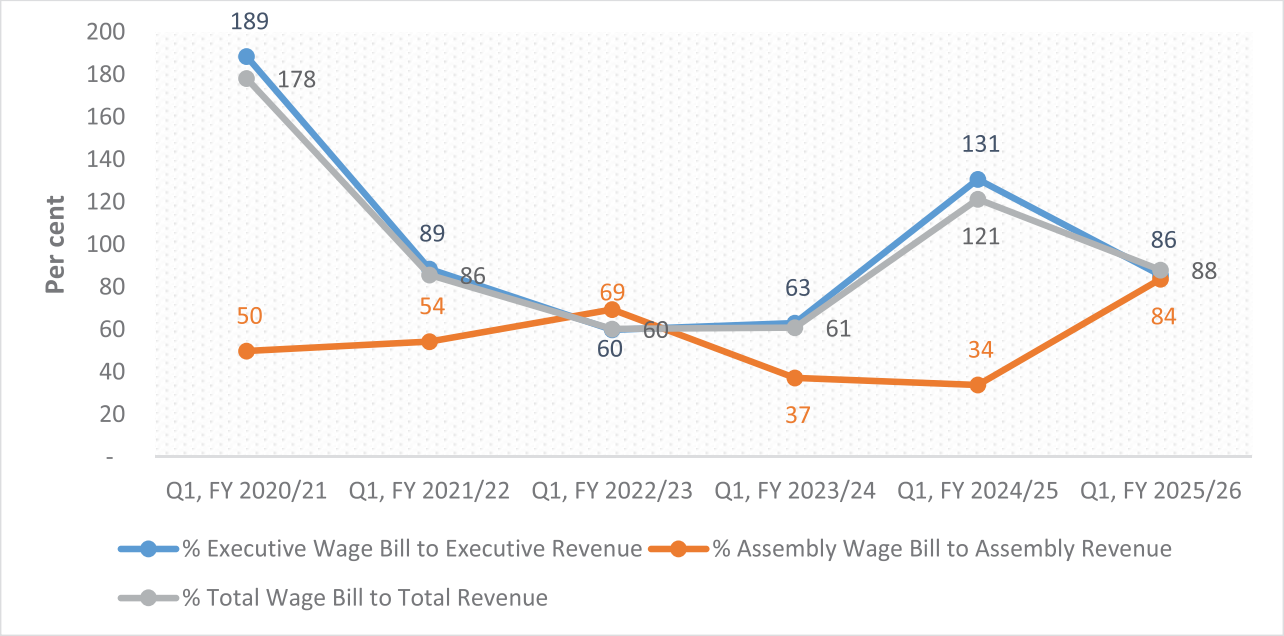
Source: *Kisumu County Treasury*

3.17.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.26 billion. The compensation-to-revenue ratio was 40 per cent. This expenditure on employee compensation shows a decrease compared to the Kshs.1.43 billion reported in a similar period in FY 2024/25. Of this total, Kshs.828.17 million was related to Health Sector employees, which accounted for 66 per cent of the overall employees' compensation. The decrease in expenditure on employee compensation is attributed to the elevation of Jaramogi Oginga Odinga Teaching and Referral Hospital to Level 6 Status, which was subsequently handed over to the National Government for management.

Figure 98 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 98: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Kisumu County Treasury

Further analysis revealed that PE costs totalling Kshs.1.25 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.5.96 million was processed through manual payroll, which accounted for 0.5 per cent of the total PE cost.

The manual payroll comprised LAPTRUST/LAPFUND pension contributions and Gratuity for staff on contract, as shown in Table 3.200.

Table 3.200: Breakdown of Kisumu County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	LAPTRUST/LAPFUND Pension Contributions	1,143,572
	Gratuity for contract staff	4,812,196
	Total	**5,955,768**

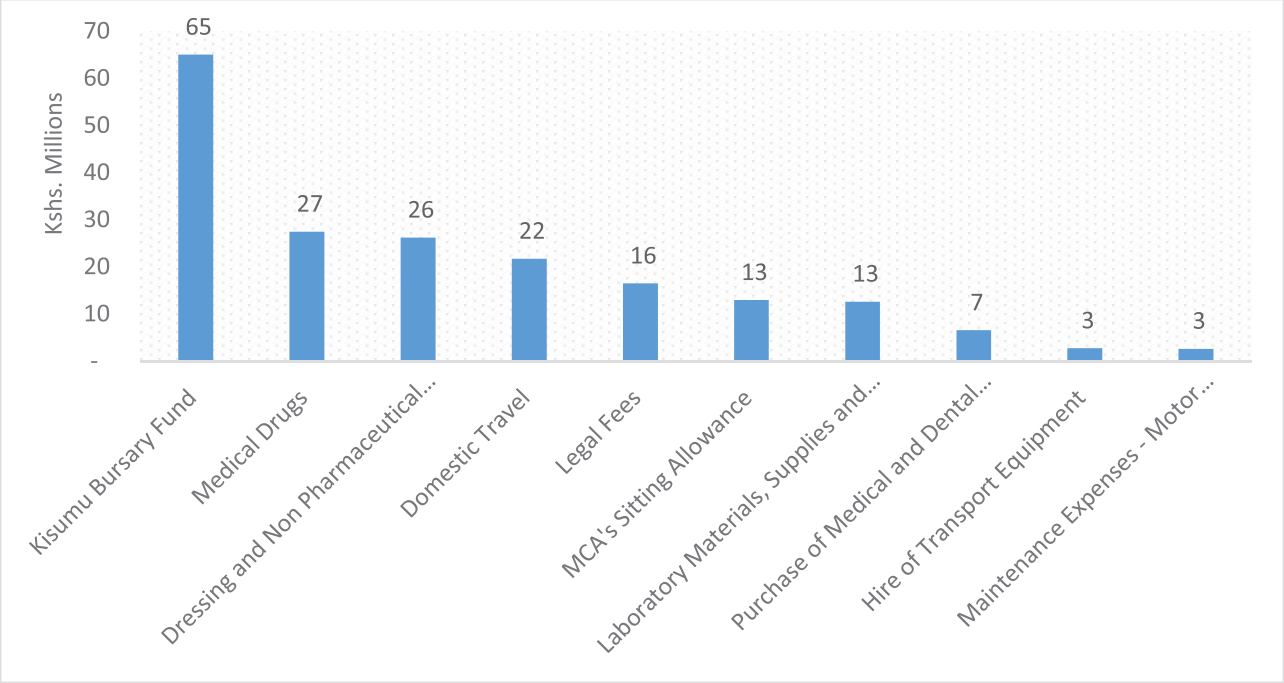
Source: Kisumu County Treasury

The County Assembly spent Kshs.12.94 million on committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.45.91 million. The average monthly sitting allowance was Kshs.89,828 per MCA. The County Assembly has 24 House Committees.

3.17.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.61.81 million on operations and maintenance, representing a decrease of 3 per cent compared to FY 2024/25, when the County spent Kshs.63.74 million. Figure 99 summarises the Operations and Maintenance expenditure by major categories.

Figure 99: Kisumu County, Operations and Maintenance Expenditure by Major Categories



Source: *Kisumu County Treasury*

3.17.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 did not have any expenditure under "other Operating expenses".

3.17.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.312.50 million to County-Established funds in FY 2025/26, or 2 per cent of the County's overall budget. Furthermore, the County allocated Kshs.200 million to the Emergency Fund (1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.201 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.201: Performance of Kisumu County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Kisumu County Bursary Fund	2014	305,000,000	-	-	1,442,397,862	YES
		County Assembly Established Funds					
	Kisumu County Assembly Car Loan and Mortgage Fund	2014	7,500,000	-	-	410,464,000	NO
	Total		**312,500,000**	**-**	**-**	**1,852,861,862**	

Source: *Kisumu County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from the Kisumu County As-

sembly Car loan and Mortgage Fund Administrator, as indicated in Table 3.7, contrary to the requirement of Section 168 of the PFM Act, 2012. Consequently, it was not therefore possible to establish the administration costs of the Kisumu County Assembly Car Loan and Mortgage Fund, whether it was within the 3 per cent limit of the Fund budget as set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the** Kisumu County Assembly Car Loan and Mortgage Fund had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed fund.

3.17.13 County Corporations

The County has one County Corporation, which was allocated Kshs.85.08 million in FY 2025/26. There was no expenditure for the period under review, as shown in Table 3.202.

Table 3.202: Performance of Kisumu County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Lakefront Development Corporation	85,076,880	-	-	-
	Total	85,076,880	-	-	-

Source: *Kisumu County Treasury*

3.17.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.21.71 million and comprised Kshs.10.38 million spent by the County Assembly and Kshs.11.33 million by the County Executive. Expenditure on foreign travel amounted to Kshs.3.06 million, all by the County Executive. Expenditure on foreign travel is summarised in Table 3.203.

Table 3.203: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Executive	1	29th June to 3rd July, 2025	World Assembly of Local and Regional Governments	Doha, Qatar	445,638
County Executive	1	3rd to 4th July, 2025	The African Research Initiative for Scientific Excellence and Sustainable Development	Accra, Ghana	60,161
County Executive	1	18th to 30th August, 2025	Investment and Academic Engagements	New York	1,026, 480
County Executive	1	16th to 27th August, 2025	Attend the 25th National Business League Conference presented by the National Alliance for Black Business.	Georgia, USA	338,762
County Executive	1	21st to 27th September, 2025	Attend FESTAC Africa Renaissance Festival 2025	Doha, Oatar	596,700
Total					2,467,741

Source: Kisumu County Treasury and Kisumu County Assembly

Under the operations and maintenance costs, Kshs.16.45 million is related to legal fees, dues, arbitration, and compensation payments.

3.17.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.60.13 million as FIF, which was 8 per cent of the annual target of Kshs.800 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County, however, has not developed regulations to operationalise the FIF Act. Health facilities expenditure was Kshs.233.68 million in the review period, as shown in Table 3.204.

Table 3.204: Kisumu County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
2.	Level 4 Hospital	17	640,345,898	187,044,462	29
3.	Level 3 Facility	25	104,033,377	30,388,056	29
4.	Level 2 Facility	109	55,620,726	16,246,764	29
	Total	**151**	**800,000,000**	**233,679,283**	**29**

Source: *Kisumu County Treasury*

3.17.16 Development Expenditure

In the review period, the County reported spent nil on development programmes, representing a decrease of 100 per cent compared to FY 2024/25, when the County spent Kshs.16.64 million.

The decline in development expenditure was attributed to the slow pace in the adoption of the new e-GP system.

In addition, the County did not report any stalled development projects as of 30 September 2025.

3.17.17 Budget Performance by Department

Table 3.205 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.205: Kisumu County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Physical Planning, Housing and urban Development	149.72	1,085.80			0.15	-	-	-	0.1	-
Agriculture, Livestock Development, Fisheries and Irrigation	244.83	426.57		13.22	0.75	-	-	-	0.3	-
City of Kisumu	394.56	1,267.76			107.85	-	-	-	27	-
County Assembly of Kisumu	862.08	100	76.63	-	74.57	-	97	-	9	-
County Public Service Board	43.12	-			-	-	-	-	-	-
Education, Technical Training, Innovation and Social Services	950.97	335.27			-	-	-	-	-	-
Infrastructure, Energy and Public Works	171.88	Services			-	-	-	-	-	-

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance, Economic Planning and ICT Services	1,814.71	75.08	129.48		136.15	-	105	-	8	-
Trade, Tourism, Industry and Marketing	112.11	69.38	10.53		-	-	-	-	-	-
Medical Services, Public Health and Sanitation	3,686.54	282.13	819.15		558.73	-	68	-	15	-
Sports, Culture, Gender and Youth Affairs	114.40	86.24			0.03	-	-	-	-	-
Water, Environment, Natural Resources and Climate Change	129.50	595.67		25.08	-	-	-	-	-	-
Public Service, County Administration, Participatory Development and Office of the Governor	1,407.76	387.69	359.36		413.19	-	115	-	29	-
County Attorney	221.15	-			15.44	-	-	-	7	-
Ahero/Awasi Municipality	16	-			-	-	-	-	-	-
Maseno/Holo Municipality	11.50	4.50			-	-	-	-	-	-
Kombewa/Bodi Municipality	12	4			-	-	-	-	-	-
Katito/Pap Onditi Municipality	11.50	4.50			-	-	-	-	-	-
Muhoroni/Chemilil Municipality	12	4			-	-	-	-	-	-
	10,366.33	**5,965.19**	**1,395.15**	**38.30**	**1,306.85**	**-**	**94**	**-**	**13**	**-**

Source: *Kisumu County Treasury*

Analysis of expenditure by departments shows that all the departments record zero absorption rate of their respective development budgets. The Department of Public Service, County Administration, Participatory Development and Office of the Governor had the highest percentage of recurrent expenditure to budget at 29 per cent, while 10 Departments had zero absorption rates.

The low absorption rate in the development budget is due to the slow pace of adoption of the new electronic government procurement (eGP) system.

3.17.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Youth Training and Legislation in the Department of Education, Technical Training, Innovation and Social Service at 34 per cent and General Planning and Administration in the Department of Lands, Housing and Physical Planning at 1 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Human Resource for Health in the Department of Medical Services, Public Health and Sanitation at 49 per cent, Planning and Coordination Services in the Department of Education, Technical Training, innovation and Social Service at 46 per cent, Health Promotive Services in the Department of Medical Services, Public Health and Sanitation at 35 per cent, and Primary Policy and Legislation in the Department of County Attorney at 26 per cent of the budget allocation.

3.17.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 187 accounts in commercial banks, including 151 accounts for Health Facilities, 24 accounts for Vocational Training Centres, four accounts for Established Funds, three revenue accounts, and five special-purpose accounts (additional allocations).

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 190 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.17.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 27th October, 2025
ii. The underperformance of own-source revenue at Kshs.186.56 million against an annual target of Kshs.3.63 billion, representing 5 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Zero on development activities, achieving a 0 per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of September 30, 2025, the Kisumu County Assembly Car Loan and Mortgage fund had lapsed, making it ineligible for further withdrawals.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Kisumu Bursary Fund, Kisumu County Assembly Car Loan and Mortgage Fund and Kisumu County Emergency Fund were not submitted to the CoB as of 15 July, 2025.
vi. High level of trade payables, which amounted to Kshs.3.65 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.18. County Government of Kitui

3.18.1 Overview of FY 2025/26 Budget

The Kitui County Approved Budget for FY 2025/26 is Kshs.14.28 billion. It comprises Kshs.4.75 billion (33 per cent) and Kshs.9.52 billion (67 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs0.02 billion (less than 1 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.75 billion and a recurrent budget of Kshs.9.55 billion.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.11.38 billion (79.8 per cent), additional allocations of Kshs.1.66 billion (11.6 per cent), a re-allocation from the County assembly of Kshs.140.70 million (1 per cent) from FY 2024/25, and Kshs.1.09 billion (7.6 per cent) to be generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.206.

3.18.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.23 billion in revenue. This amount represented a decrease of 22 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.85 billion. The total revenue consisted of Kshs.1.85 billion from the equitable share of revenue raised nationally, own-source revenue (OSR) collection of Kshs.240.40 million. Additionally, the County had a re-allocation of Kshs.140.70 million from FY 2024/25. The total OSR collection of Kshs.240.40 million included Facilities Improvement Financing (FIF) of Kshs.205.8 million, and 34.59 million from other OSR sources. Table 3.206 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.206: Kitui County, Revenue Performance in FY 2025/26

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue(K-shs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	11,384,160,751	1,845,619,884	**16**
	Subtotal	**11,384,160,751**	**1,845,619,884**	**16**
B	**Equalisation Fund Disbursement**			
	Subtotal			
C	**Additional Allocations**			
1	Road maintenance Fuel levy	445,098,850	0	0
2	World bank (Emergency Locust Response project) ELRP	121,025,000	0	0
3	World Bank Grant Financing Locally-Led Climate Action (FLLoCA) Program – County Climate Resilience Investment Grant	205,807,064	0	0
4	World Bank National Agricultural Value Chain Development Project (NAVCDP)	151,515,152	0	0
5	Conditional grant from GoK for Aggregated Industrial Parks Programme (CAIPs)	250,000,000	0	0
6	Conditional Allocation for Community Health Promoters (CHPs)	58,050,445	0	0
7	Kenya Devolution Support Program (KDSP) II Level I	390,000,000	0	0
8	Donor Grants (DANIDA)	13,601,250	0	0
9	Kenya Urban Support Project-(UIG)world bank	28,400,000	0	0
10	Allocation for 20% share of Mineral Royalties	114,279	0	0
11	Allocation for Court Fines	50,000	0	0
	Subtotal	**1,663,662,040**	**0**	**0**
D	**Ordinary Own Source Revenue (OSR)**			
1	Inspection of Schools and ECD centres	0	0	0
2	Game reserves and park fees	0	0	0
3	Dispatch note& Flayer License	9,210	0	0
4	Penalties	173,730.00	33,370	19
5	Certificate to Transport/Movement permits	375,260	49,310	13

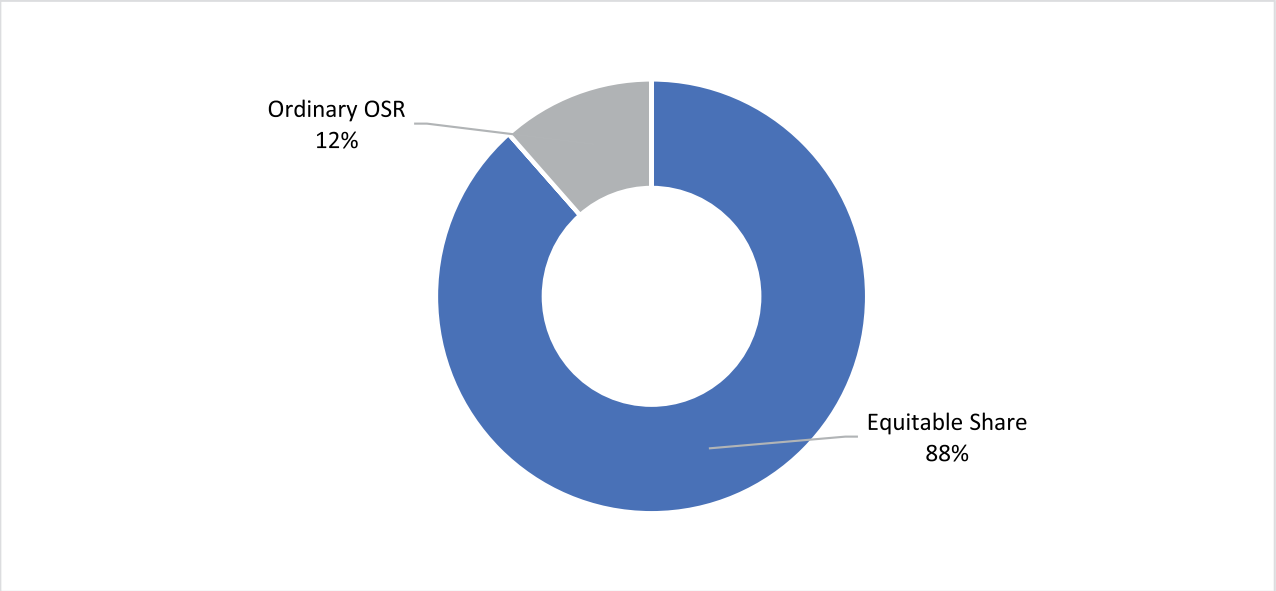
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue(K-shs.)	Performance (%)
6	Ministry of Tourism, Sports and culture	452,256	80,100	18
7	Revenuefrom Sale of Agricultural Goods	674,665	141,990	21
8	Cooperative Audit	712,614	7,700	1
9	House and Stalls Rents	2,520,656.00	640,500	25
10	Meat Inspection/Veterinary Services	2,541,422	109,083	4
11	Slaughter Fees	2,738,913.00	684,700	25
12	Borehole Drilling	2,951,000	1,616,000	55
13	Training/Learning Centre Fee	3,718,896	1,294,950	35
14	Sand approval fee, pollution &penalties	18,972,072	102,400	1
15	Cess	12,152,256	1,890,070	16
16	Market Fees	16,108,700	3,940,112	24
17	Transportation Fees	16,161,227	3,560,150	22
18	Parking fees	20,096257	2,748,770	14
19	Land rates	20,371,343	2,012,367	10
20	Land Administration Fees	24,220,735	3,841,033	16
21	Sign Board & Advertising	24,354,682	1,087,200	4
22	Alcoholic Drinks License	30,171,748	4,744,500	16
23	Single Business Permits	102,649,433	5,996,936	6
24	Sale & search of assets	17,690	700	4
25	Burial Fees	28,609	5,900	21
26	Weights and measures	1,536,011	0	0
27	Ploughing	2,166,366	0	0
28	Agricultural show	6,442,784	0	0
29	Slaughter Houses Inspection Fee	29,769	4,000	13
Subtotal		**312,348,304**	**34,591,841**	14
E	**Facility Improvement Financing (FIF)**			
1	Facilities Improvement Financing	773,901,696	205,804,898	27
Subtotal		**1,086,250,000**	**240,396,739**	**25**
F	**Balance Brought Forward from FY 2024/25**			
1	Re-allocation from County assembly	140,694,663	140,694,663	100
2	County Executive Refunds to CRF		28,583	
3	County Assembly Refunds to CRF		400,639	
Subtotal		1,226,944,663	381,520,624	31
Grand Total		**14,274,767,454**	**2,227,140,508**	**16**

Source: *Kitui County Treasury*

The County has no governing legislation on the operation of ordinary A-I-A and FIF and is using the national government legislation. However, the Kitui County FIF Act 2023 was submitted to the County assembly for consideration and approval.

Figure 100 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

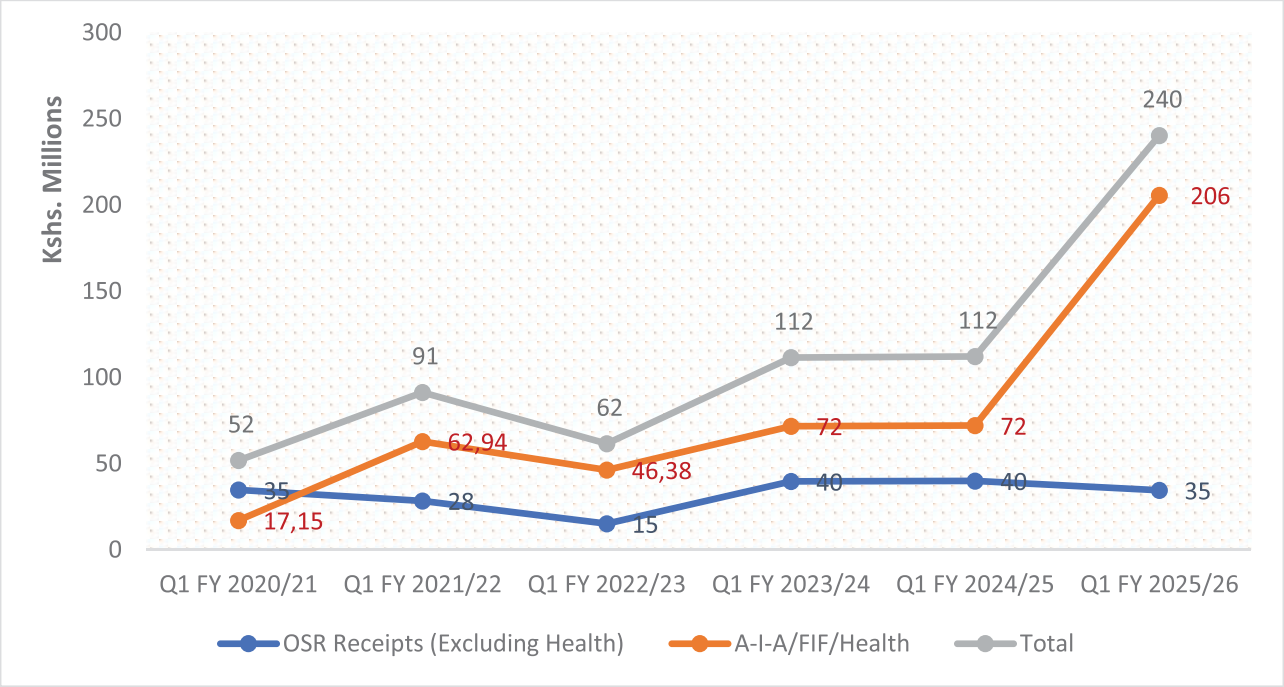
Figure 100: Kitui County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kitui County Treasury*

The equitable share of revenue raised nationally and OSR contributed 88 per cent and 22 per cent, respectively, of the total revenue for the reporting period. Figure 101 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 101: Kitui County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

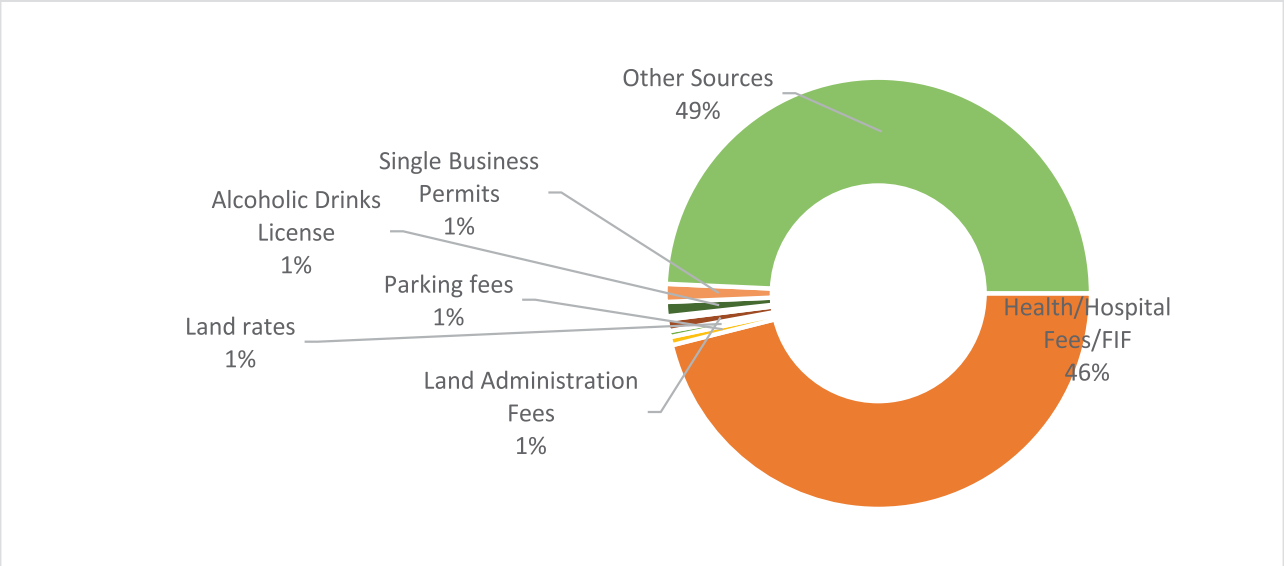


Source: *Kitui County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.240.40 million from its revenue sources, including FIF. This amount was an increase of 114 per cent compared to Kshs.112.16 million realised in a similar period in FY 2024/25, and was 22 per cent of the annual target and 21 per cent of the equitable revenue share disbursed.

The revenue streams that contributed the most to OSR Revenue are shown in Figure 102.

Figure 102: Kitui County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kitui County Treasury

As shown in Figure 102, the highest revenue stream, at Kshs.219.97 million was from the other sources, accounting for 86 per cent of the total OSR receipts. The County Government indicated that it has not automated all its revenue streams.

3.18.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.1.67 billion, this amount increased to Kshs.2.82 billion as of 30th September 2025. Table 3.207 presents a breakdown of the County's revenue arrears.

Table 3.207: Kitui County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		A	b	c	D	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September				977,832,166	977,832,166
	Sub-Total				**977,832,166**	**977,832,166**
D	**Ordinary Own Sources of Revenue**					
1	Land/Poll rate	1,282,533,263		2,012,367	59,178,974	**1,339,699,870**
	Sub-Total	**1,282,533,263**		**2,012,367**	**1,037,011,140**	**2,317,532,036**
E	**Facility Improvement Financing (FIF)**					
1	SHIF	**211,756,715**		**19,052,686**	**125,130,364**	**317,834,394**
2	Defunct NHIF	**163,368,311**				**163,368,311**
3	Insurance Companies	**16,151,247**			**3,295,780**	**19,477,027**
	Sub-Total	**391,276,273**		**19,052,686**	**128,426,144**	**500,649,732**
Total		**1,673,809,536**		**21,065,053**	**1,165,437,285**	**2,818,181,768**

Source: *Kitui County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.2.82 billion, comprising Kshs.977.83 million equitable share for the month of September, Kshs.1.34 billion for the own source revenueand Kshs.500.65 million for the Facility Improvement Financing (FIF). As of 30th september, 2025, the reported own sources revenue arrears of Kshs.1.34 billion entirely comprising of Land/poll rate.

The County has instituted measures to collect outstanding arrears, including engaging debt collectors to recover the outstanding amount.

3.18.4 Borrowing by the County

The Kitui County Government did not report any borrowing during the first quarter of the FY 2025/26.

3.18.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.2.55 billion from the CRF account during the reporting period, which comprised Kshs.221.31 million (9 per cent) for development programmes and Kshs.2.32 billion (91 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.77 billion was towards employee compensation and Kshs.543.63 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 59per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.106.66 million where Kshs.38.57 was for the County assembly and Kshs.68.10 was for the County Executive.

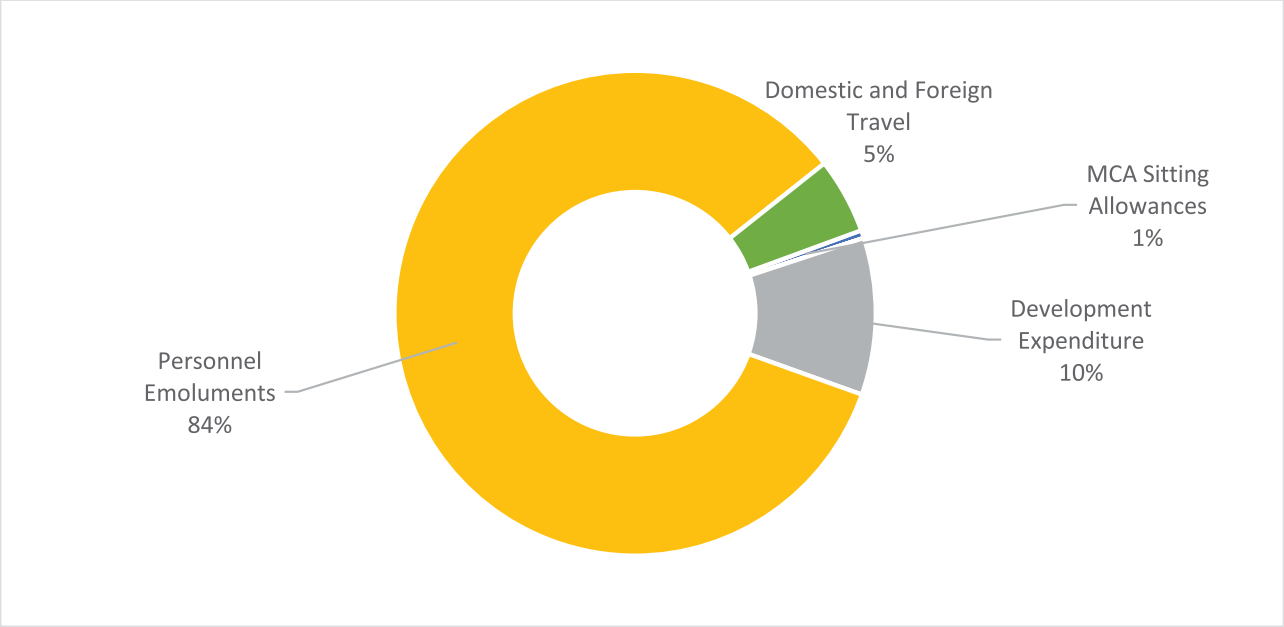
As of September 30, 2025, the County Government's unspent funds in the CRF account was Kshs.949.71 million.

3.18.6 Expenditure Review

The County spent Kshs.2.54 billion on development and recurrent programmes in the reporting period. The expenditure represented 99 per cent of the total funds released by the CoB. It comprised Kshs.221.31 million for development programmes and Kshs.2.32 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 5 per cent, while recurrent expenditure represented 24 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 103: Kitui County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Kitui *County Treasury*

As shown in Figure 103, the three highest expenditure categories were personnel emoluments, development expenditure, and domestic and foreign expenses, which contributed 84 per cent, 10 per cent, and 5 per cent, respectively, of total expenditure for the reporting period.

3.18.7 Settlement of Trade Payables

As of 1st July 2025, the County reported Trade Payables totalling Kshs.535.89 million. This amount was entirely for the County Executive. The Trade Payables from the County Executive consisted of Kshs.366.92 million for recurrent expenditures and Kshs.168.97 million for development expenditures.

During the reporting period, the County Executive did not settle trade payables. The reported outstanding trade payables as of 30th September, 2025, were therefore Kshs.535.89 billion for the County Executive, and were entirely for the County Executive. Table 3.208 provides additional details of trade payables.

Table 3.208: Kitui County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	A	County Executive	56,145,680	173,704,895	229,850,575
		County Assembly	0	0	0
		Total	**56,145,680**	**173,704,895**	**229,850,575**
Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan	B	County Executive	168,969,163	366,917,679	535,886,842
		County Assembly	0	0	0
		Total	**168,969,163**	**366,917,679**	**535,886,842**
Outstanding Trade Payables as of 30 September 2025	e=a-c+d	**County Executive**	**168,969,163**	**366,917,679**	**535,886,842**
		County Assembly	**0**	**0**	**0**
		Total	**168,969,163**	**366,917,679**	**535,886,842**

Source: *Kitui County Treasury*

The County Executive submitted a Trade Payables payment plan, committing to pay Kshs.168.97 million and Kshs.366.92 million, respectively, in FY 2025/26. The County did not adhere to the payment plan.

Table 3.209 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.2.55 billion.

Table 3.209: Kitui County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**86,755,238**	**50,580,047**	**4,833,753**	**26,800,125**	**168,969,163**
Recurrent Trade Payables (Goods & Services)	82,446,144	6799448	10599207	6,835,382	**106,680,181**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	260,237,498	0	0	0	**260,237,498**
Recurrent Trade Payables (Staff Claims)	0	0	0	0	0
Total Recurrent Trade Payables	**342,683,642**	**6,799,448**	**10,599,207**	**6,835,382**	**366,917,679**
Total Trade Payables	**429,438,880**	**57,379,495**	**15,432,960**	**33,635,507**	**535,886,842**
% of Total	**80**	**11**	**3**	**6**	**100**

Source: *Kitui County Treasury*

3.18.8 Expenditure by Economic Classification

During the reporting period, the County Executive spent Kshs.1.68 billion for compensation of employees, Kshs.435.81 million for operations and maintenance, and Kshs.221.31 million for development activities. Similarly, the County Assembly spent Kshs.90.91 million on compensation of employees and Kshs.107.82 million

on operations and maintenance, as shown in Table 3.210.

Table 3.210: Kitui County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**8,576,889,145**	**946,077,555**	**2,118,623,552**	**198,732,830**	**25**	**21**
Compensation of Employees	5,539,039,849	488,264,486	1,682,817,949	90,908,137	**24**	**19**
Operations and Maintenance	3,037,849,296	457,813,069	435,805,603	107,824,693	**25**	**24**
Development Expenditure	**4,651,800,754**	**100,000,000**	**221,309,089**	**0**	**5**	**0**
Total	**13,228,689,899**	**1,046,077,555**	**2,339,932,641**	**198,732,830**	**18**	**19**

***Source**: Kitui County Treasury*

3.18.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.77 billion. The percentage of compensation of employees to revenue was 12 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.1.52 billion reported in a similar period in FY 2024/25. Of this total, Kshs.1.48 billion related to the Health Sector employees, which accounted for 83 per cent of the overall employees' compensation.

Further analysis indicated that PE costs amounting to Kshs.1.77 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.41.15 million was processed through manual payroll, which accounted for 2 per cent of the total PE cost.

The manual payroll comprised salaries forstaff not on-boarded into the Human Resource Information System (HRIS), salaries for casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.211.

Table 3.211: Breakdown of Kitui County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for staff were yet to be onboarded into HRIS	7,342,858
	Salaries for casual staff	8,640,715
	Gratuity for contract staff	10,605,587
	Community Health workers	14,556,000
	Total	**41,145,159**

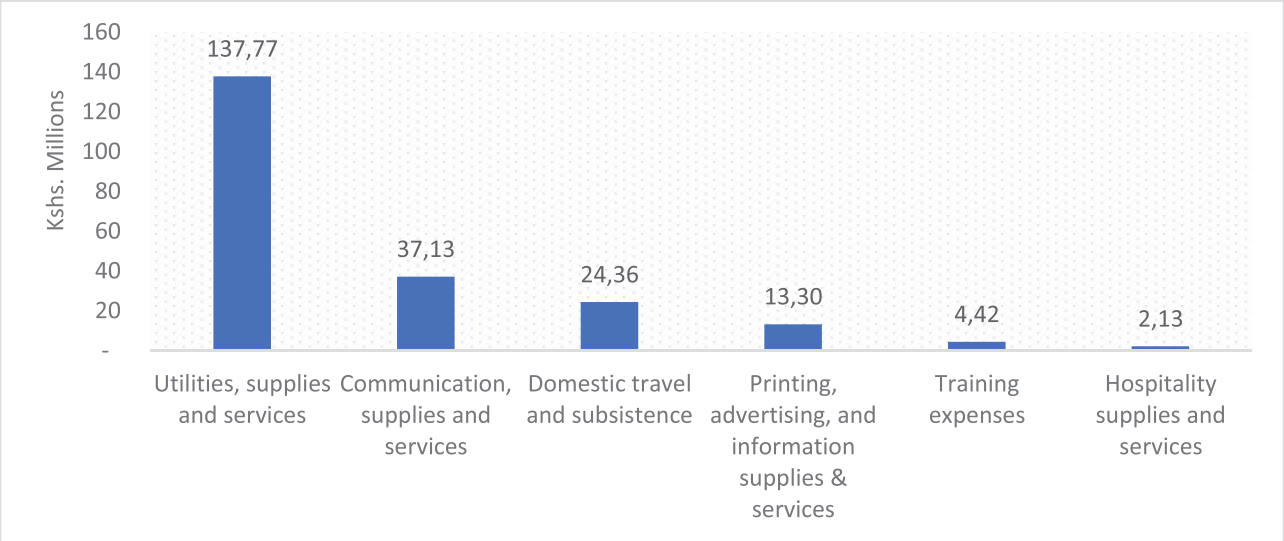
Source: Kitui County Treasury

The County Assembly spent Kshs.11.13 million on committee sitting allowances for the 61 MCAs against the annual budget allocation of Kshs.40.19 million. The average monthly sitting allowance was Kshs.60,838 per MCA. The County Assembly had 22 house committees.

3.18.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.543.63 million on operations and maintenance, representing an increase of 31 per cent compared to FY 2024/25, when the County spent Kshs.377.35 million. Figure 104 summarises the Operations and Maintenance expenditure by major categories.

Figure 104: Kitui County, Operations and Maintenance Expenditure by Major Categories



Source: *Kitui County Treasury*

3.18.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.34 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Table 3.212 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.212: Performance of Kitui County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of First Nine Months Financial Statements (Yes/No.)
County Executive Established Funds							
1	Kitui County Executive Mortgage (Staff) Scheme Fund	2015	5,000,000	-	-	96,000,000	No
2	Empowerment funds	2021	-	-	-	160,000,000	No
3	Kitui County Education Bursary (Pro-poor)	2014	29,000,000	-	-	928,464,985	The County submits returns on request as the program is a line item, not a fund
County Assembly Established Funds							
4	Kitui County Assembly Service Board Employees Car Loan and Mortgage fund	2015	-	-	-	196,207,234	Yes
5	Kitui County Assembly Car Loan and Mortgage (Members) scheme Fund	2015	-	-	-	175,410,337	Yes
	Total		**34,000,000**	**-**	**-**	**1,556,082,556**	

Source: *Kitui County Treasury*

During the reporting period, the CoB received quarterly financial reports from 3 Fund Administrators, as indicated in Table 3.212, in accordance with Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Kitui County Executive Mortgage (Staff) Scheme Fund, the Kitui County Assembly Service Board Employees Car Loan and Mortgage fund and the Kitui County Assembly Car Loan and Mortgage (Members) scheme Fund had lapsed. Consequently, the CoB can not approve any requests for withdrawals to support the operations of the lapsed funds.

3.18.12 County Corporations

The County has two County Corporations, which were allocated Kshs50 million in FY 2025/26. Their total expenditure for the review period amounted to Kshs.24.5 million, as shown in Table 3.213.

Table 3.213: Performance of Kitui County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Kiambere-Mwingi water and Sanitation company.	25,000,000	15,000,000	15,000,000	196,149,181
	Kitui water and sanitation company	25,000,000	9,584,960	9,584,960	196,149,181
	Total	**50,000,000**	**24,584,960**	**24,584,960**	**392,298,363**

Source: *Kitui County Treasury*

Cumulative transfers to the corporation is from FY 2017/18 to the first quarter of the FY 2025/26

3.18.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.106.66 million and comprised Kshs.38.57 million spent by the County Assembly and Kshs.68.10 million by the County Executive. No expenditure on foreign travel was reported.

3.18.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.212.97million as FIF, which was 35 per cent of the annual target of Kshs.606.61 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County, however, has not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.116.61million, as shown in Table 3.214.

Table 3.214: Kitui County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 4 Hospital	14	300,000,000	116,611,722	39
	Total		**300,000,000**	**116,611,722**	**39**

Source: *Kitui County Treasury*

3.18.15 Development Expenditure

In the review period, the County reported spending Kshs.221.31 million on development programmes, representing an increase of 516.2 per cent compared to FY 2024/25, when the County spent Kshs.35.91 million. Table 3.215 summarises the development projects with the highest expenditure in the reporting period.

Table 3.215: Kitui County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	Water and irrigation	Supply of power to the Kiambere treatment plant for the month of July, 2025.	Mwingi central	-	15,000,000	9,584,960	9,584,960	64
	Water and irrigation	supply of power to the Masinga treatment plant	Kitui Rural		15,000,000	15,000,000	15,000,000	100

Source: *Kitui County Treasury*

The County transferred a total of Kshs.196.72 million to special purpose accounts for donor funds that were requested under development budget.

The County did not report any stalled development projects as of 30 September 2025.

3.18.16 Budget Performance by Department

Table 3.216 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.216: Kitui County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs. Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	1,367.63	1,032.10	235.61	0	234.72	0	99.6	0	17.2	0
Office of The Deputy Governor	154.21	43.50	7.69	0	7.73	0	100.6	0	5.0	0
Water & Irrigation	166.26	529.29	89.77	27.98	84.82	27.98	94.5	100	51.0	5.3
Basic Education ICT & Youth Development	934.94	117.60	235.69	0	234.13		99.3	0	25.0	0
Roads, Public Works and Transport	258.68	700.30	148.11	152.42	152.35	152.42	102.9	100	58.9	21.8
Health and Sanitation	3,976.80	175.78	829.55	0	828.92	0	99.9	0	20.8	0
Trade, industry, MSMEs, innovation and Cooperatives	221.09	427.51	90.79	0	90.64	0	99.8	0	41.0	0
Energy, Environment, Forestry, Natural & Mineral Resources	132.60	413.06	26.68	25.28	25.02	25.28	93.8	100	18.9	6.1
Culture, Gender, Youth, ICT, Sports & Social services	192.51	75.93	81.14	0	80.44	0	99.1	0	41.8	0
Finance, Economic planning and Revenue Management	404.10	425.63	111.97	15.63	110.55	15.63	98.7	100	27.4	3.7
Agriculture & Livestock	426.80	397.97	148.12	0	147.76	0	99.8	0	34.6	0
County Assembly	946.80	100.00	199.42	0	198.73	0	99.7	0	21.0	0
County public service board	75.47	0	18.62	0	18.32	0	98.4	0	24.3	0

Department	Revised Budget Allocation (Kshs. Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Housing & urban development	265.80	313.14	104.89	0	103.23	0	98.4	0	38.8	0
Total	**9,522.97**	**4751.80**	**1,436.51**	**221.31**	**2,317.36**	**221.31**	**99.5**	**100**	**24.3**	**4.7**

***Source**: Kitui County Treasury*

Analysis of expenditure by departments shows that the Department of Roads, Public Works and Transport and Energy recorded the highest absorption rate of development budget at 22 per cent followed by the Department of Environment, Forestry, Natural & Mineral Resources at 6.1 per cent , while the Department of Roads, Public Works and Transport had the highest percentage of recurrent expenditure to budget at 58 per cent, while the Office of The Deputy Governor had the lowest at 5 per cent.

3.18.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest level of budget implementation, based on absorption rates, was water Resource Management services 8 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: natural Resources Conservation and Management in the department of Ministry of Energy environment and forestry at 84 per cent, Special Programmesin the office of the governor at 79 per cent, Environment Management and protectionat 76 per cent of the budget allocation.

3.18.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 493 accounts in commercial banks, including 357 accounts for Health Facilities, 111 accounts for Vocational Training Centres, 5 accounts for Established Funds, 8 revenue accounts, 11 special-purpose accounts (additional allocations), and 1 account for imprests at the Office of the Governor.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 493 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.18.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.240.40 million against an annual target of Kshs.1.09 billion, representing 22 per cent of the financial year target.
ii. Low development performance in the review period as the County incurred Kshs.221.31 million on development activities, achieving a 4 per cent absorption rate.
iii. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Kitui County Executive Mortgage (Staff) Scheme Fund , Kitui County Assembly Service Board Employees Car Loan and Mortgage fund and Kitui County Assembly Car Loan and Mortgage (Members) scheme Fund had lapsed, making it ineligible for further withdrawals.

iv. High level of Trade Payables, which amounted to Kshs.535.89 million as of 30 September 2025.
v. Use of manual payroll. Personnel emoluments amounting to Kshs.41.15 million forstaff not onboarded into HRIS andcasual staff were processed through manual payroll, accounting for 2 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
vii. The County reported revenue arrears of Kshs.2.82 billion, comprising Kshs.2.32 billion on ordinary OSR, Kshs.977.83 million on equitable share (September 2025) and FIF of Kshs.500.65 million. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
iv. *The County Leadership should address the situation of Trade Payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
v. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
vii. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.19. County Government of Kwale

3.19.1 Overview of FY 2025/26 Budget

The Kwale County Approved Budget for FY 2025/26 is Kshs.15.83 billion. It comprises Kshs.7.87 billion (50 per cent) and Kshs.7.96 billion (50 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.951.50 million (6 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.6.95 billion and a recurrent budget of Kshs.7.92 billion. The increase in the budget was primarily attributed to the rise in equitable share and Own resource revenue.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.9.08 billion (57 per cent), additional allocations of Kshs.920 million (6 per cent), Trade Payables and Commitments B/F of Kshs.4.94 billion (31 per cent) brought forward from FY 2024/25, and Kshs.886 million (6 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.217.

3.19.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.97 billion in revenue. This amount represented an increase of 35 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.13 billion. The total revenue consisted of Kshs.1.44 billion from the equitable share of revenue raised

nationally, as well as own-source revenue (OSR) collection of Kshs.78 million. Additionally, the County had a cash balance of Kshs.448 million from FY 2024/25. The total OSR collection of Kshs.78 million included Facilities Improvement Financing (FIF) of Kshs.37 million, and Kshs.41 million from other OSR sources. Table 3.217 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.217: Kwale County, Revenue Performance in FY 2025/26

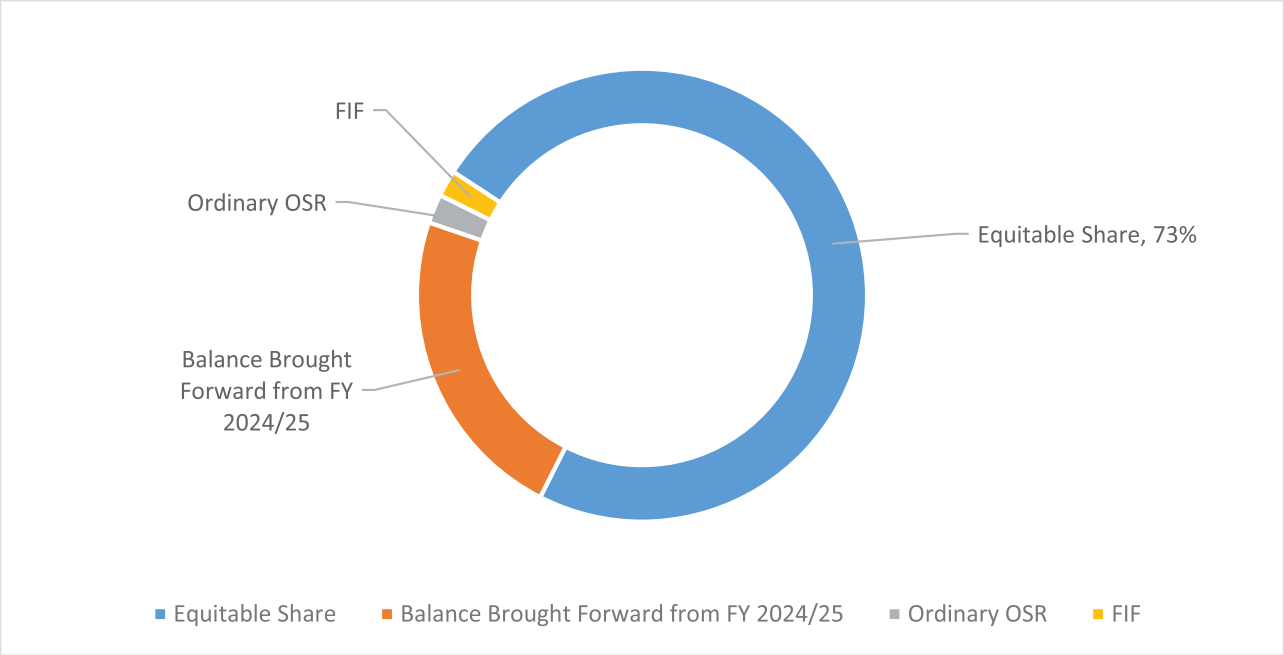
Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	9,078,699,643	1,443,732,020	16
Sub-Total	**9,078,699,643**	**1,443,732,020**	**16**
B. Additional Allocations from National Government Revenues			
Basic Salary Arrears for Health Workers	-		-
Community Health Promoters (CHPs) Project	59,140,000	0	-
Kenya Devolution Support Programme (KDSP)- Level II Institutional Grant	37,500,000	0	-
Kenya Devolution Support Programme (KDSP)- Level II Development Grant	352,500,000	0	-
Aggregated Industrial Park Programme Grant	-	0	-
Road Maintenance Levy Fund	206,900,399		-
Subtotal	**656,040,399**		**-**
Additional Allocations from Development Partners			-
Primary Healthcare in Devolved Context (DANIDA)	14,206,500	0	
National Agricultural Value Chain Development Project (NAVCDP)	-	0	-
Kenya Agricultural Business Development Project (KABDP)-SIDA Grant	-	0	-
Water and Sanitation Development Project (WSDP)	-	0	
Kenya Informal Settlement Improvement Project KISIP II	30,892,000	0	
Financing Locally-Led Climate Action (FLLoCA)-Institutional Grant	11,000,000	0	
Kenya Urban Support Program-Urban Institutional Grant UIG	35,000,000	0	
Kenya Urban Support Program-Urban Development Grant UDG	-	0	
United Nations Fund for Population Activities (UNFPA)	6,660,000	0	-
County Climate Change Resilient Investment (CCCRI)	167,000,000	0	-
Sub-Total	**264,758,500**	-	**-**
C. Other Sources of Revenue			
Ordinary Own Source Revenue	486,044,840	40,872,769.99	8
Trade Payables and Commitments B/F	4,942,019,024.45	-	-
Balance at CRF	-	447,826,615	-
County Executive Refund to CRF	1,728,881		-
County Assembly Refund to CRF	1,998,118		-
Facility Improvement Fund (FIF)	400,000,000	37,086,680.52	9
SHIF			-
Defunct NHIF			-
Other FIF			-
Other Revenues			-
Appropriation in Aid (AIA)			-
Sub-Total Other Sources	**5,828,063,864.45**	**77,959,450.51**	**1**

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
Grand Total	15,827,562,406.45	1,969,518,085.51	10

Source: *Kwale County Treasury*

The County does not have governing legislation on the operation of ordinary A-I-A and FIF. Figure 105 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

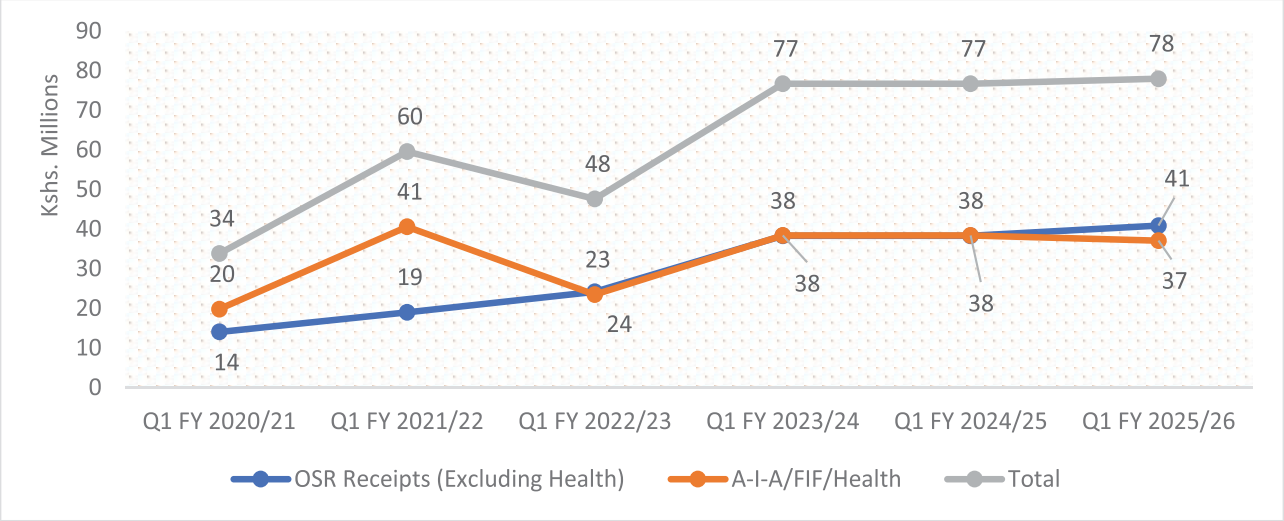
Figure 105: Kwale County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Kwale County Treasury*

The equitable share of revenue raised nationally and OSR contributed 95 and 5 per cent respectively of the total receipts for the reporting period. Figure 106 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 106: Kwale County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

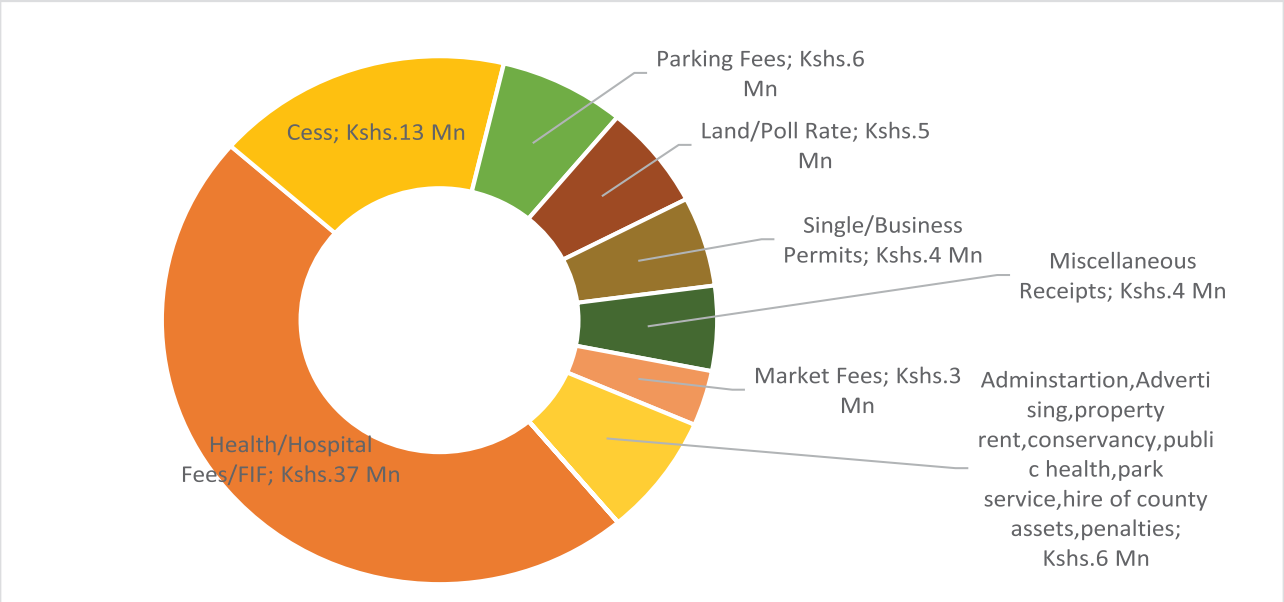


Source: *Kwale County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.78 million from its revenue sources, including FIF. This amount was an increase of 2 per cent compared to Kshs.77 million realised in a similar period in FY 2024/25, and was 9 per cent of the annual target and 5 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR receipts are shown in Figure 107.

Figure 107: Kwale County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Kwale County Treasury

As shown in the Figure 107, the highest revenue stream, at Kshs.37 million, was from FIF, accounting for 52 per cent of the total OSR receipts. The County Government has automated all its revenue streams.

3.19.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.283 million, this amount increased to Kshs.310 million as of 30th September 2025. Table 3.218 presents a breakdown of the County's revenue arrears.

Table 3.218: Kwale County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Ordinary Own Sources of Revenue**					
1	Cess	**9,003,202**				**9,003,202**
2	Land/Poll Rate	89,238,144.07		(1,066,054.61)		88,172,089.46
3	Single/Business Permits	49,811,041				49,811,041
4	Property Rent	8,582,099		(219,750)	1,564,303	9,926,652
5	Advertising	144,000				144,000
6	Conservancy Administration	650,000				650,000
7	Miscellaneous Receipts	663,209.25				663,209.25
Sub-Total		**158,091,695.32**	-	**(1,285,804.61)**	**1,564,303**	**158,370,193.71**
B	Facility Improvement Fund (FIF)					
1	SHIF	125,648,792.35		(24,404,414)	50,804,960	152,049,338.35
Sub-Total		**125,648,792.35**	-	**(24,404,414)**	**50,804,960**	**152,049,338.35**
Total		**283,740,487.67**	-	**(25,690,218.61)**	**52,369,263**	**310,419,532.06**

Source: Kwale County Treasury

As of 30 September 2025, the revenue arrears totalled to Kshs.310 million, comprising Kshs.158 million for own source (51 per cent) and Kshs.152 million for FIF (49 per cent).

3.19.4 Borrowing by the County

The County has not provided any information on borrowing as of 31 September 2025.

3.19.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.16 billion from the CRF account during the reporting period, which comprised Kshs.85 million (7 per cent) for development programmes and Kshs.1.07 billion (93 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.955 million was towards employee compensation and Kshs.121 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 23 per cent was for domestic travel and 2 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.28 million and included Kshs.26 million for the County Executive and Kshs.2 million for the County Assembly. The County had no foreign travel expenditure.

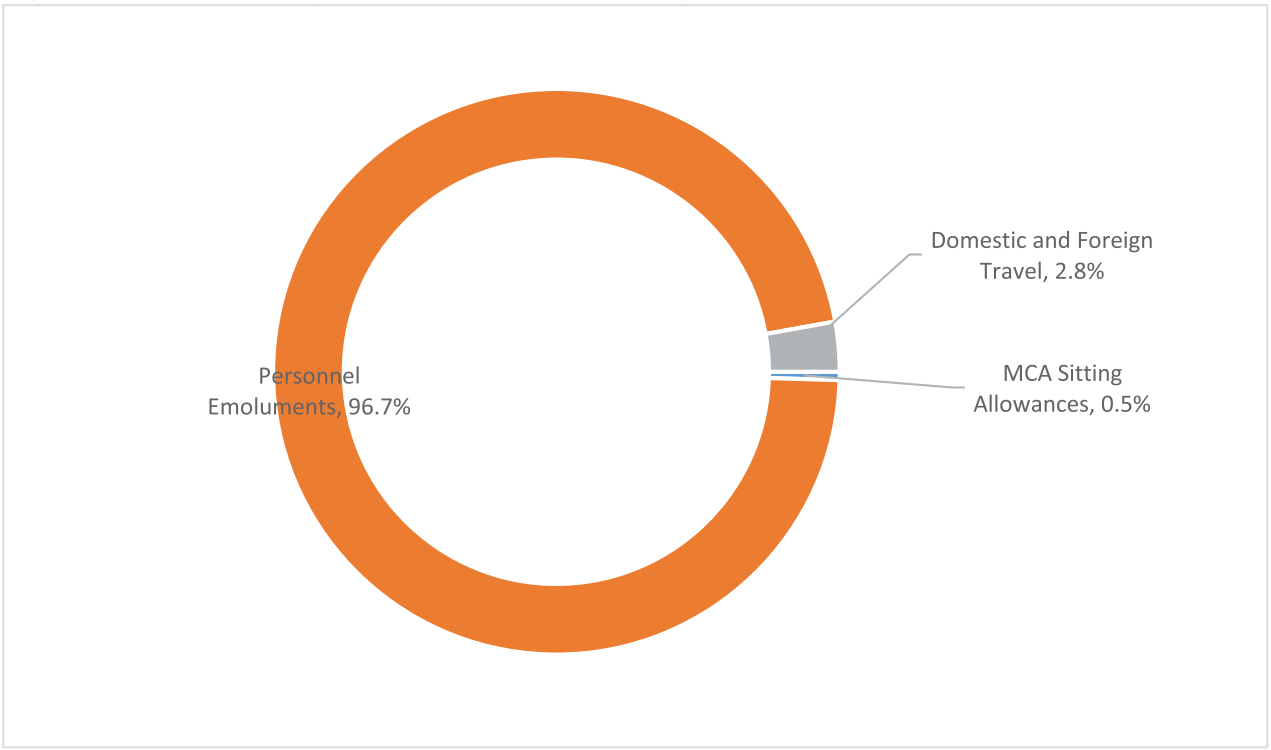
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.842 million.

3.19.6 Expenditure Review

The County spent Kshs.1.05 billion recurrent programmes in the reporting period. The expenditure represented 91 per cent of the total funds released by the CoB. There is no expenditure on development. recurrent expenditure represented 13 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 108: Kwale County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Kwale County Treasury

As shown in Figure 108, the three highest expenditure categories were PE contributing to, Kshs.962 million and 92 per cent of total expenditure for the reporting period.

3.19.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.67 billion. This amount included

Kshs.1.30 billion from the County Executive and Kshs.364 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.613 million for recurrent expenditures and Kshs.690 million for development expenditures.

During the reporting period, the County did not settle any trade payables. The outstanding trade payables as of 30th September 2025 was Kshs.1.30 billion for County Executive and Kshs.364 million for County Assembly. Table 3.219 provides additional details of trade payables.

Table 3.219: Kwale County Trade Payables as of 30th September 2025

	County Entity	Development	Recurrent	Total
As at 1 July 2025 (End of FY 2024/25)	County Executive	689,860,024.88	612,783,779	1,302,643,804
	County Assembly	361,413,970	2,625,517	364,039,487
	Total	**1,051,273,995**	**615,409,296**	**1,666,683,290**
Outstanding trade payables as of 30 September 2025 (Kshs.)	County Executive	689,860,025	612,783,779	1,302,643,804
	County Assembly	361,413,970	2,625,517	364,039,487
	Total	**1,051,273,995**	**615,409,296**	**1,666,683,290**

Source: *Kwale County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, but did not pay any trade payables in the quarter. Table 3.220 and Table 3.221 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.66 billion.

Table 3.220: Kwale County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**601,710,542**	**61,073,764**	**27,075,719**	-	**689,860,025**
Recurrent Trade Payables (Goods & Services)	436,853,748	55,345,611	130,848,173		**623,047,532**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Trade Payables (Staff Claims)	(10,263,753)				**(10,263,753)**
Total Recurrent Trade Payables	426,589,995	55,345,611	130,848,173	-	**612,783,779**
Total Trade Payables	**1,028,300,536**	**116,419,376**	**157,923,892**	-	**1,302,643,804**
% of Total	**79%**	**9%**	**12%**	**%**	**100%**

Source: *Kwale County Treasury*

Table 3.221: Kwale County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**333,718,536.97**	**27,695,432.66**	-	-	**361,413,969.63**
Recurrent Trade Payables (Goods & Services)	1,965,517.25	660,000			**2,625,517.25**
Total Recurrent Trade Payables	1,965,517.25	660,000	-	-	**2,625,517.25**
Total Trade Payables	**335,684,054.22**	**28,355,432.66**	-	-	**364,039,486.88**
% of Total	**92%**	**8%**	**%**	**%**	**100%**

Source: *Kwale County Treasury*

As neither the Executive nor the Assembly settled any payables in the first quarter of FY 2025/26, we urge them to adhere to their payables payment plan in the remaining period of FY 2025/26.

3.19.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.896 Million for compensation of employees,

Kshs.64 million for operations and maintenance, and none for development. Similarly, the County Assembly spent Kshs.67 million on compensation of employees, Kshs.25 million on operations and maintenance, and the County assembly has not spent any shillings on development activities, as shown in Table 3.222.

Table 3.222: Kwale County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**7,300,487,763.94**	**659,893,327.28**	**959,762,436.95**	**92,126,853**	**13%**	**14%**
Compensation of Employees	3,358,665,748	293,662,459	895,516,060	66,716,607	**27%**	**23%**
Operations and Maintenance	3,941,822,016	366,230,868	64,246,377	25,410,246	**2%**	**7%**
Development Expenditure	**7,305,767,345**	**561,413,970**	-	-	**0%**	**0%**
Total	**14,606,255,108.82**	**1,221,307,296.91**	**959,762,436.95**	**92,126,853**	**7%**	**8%**

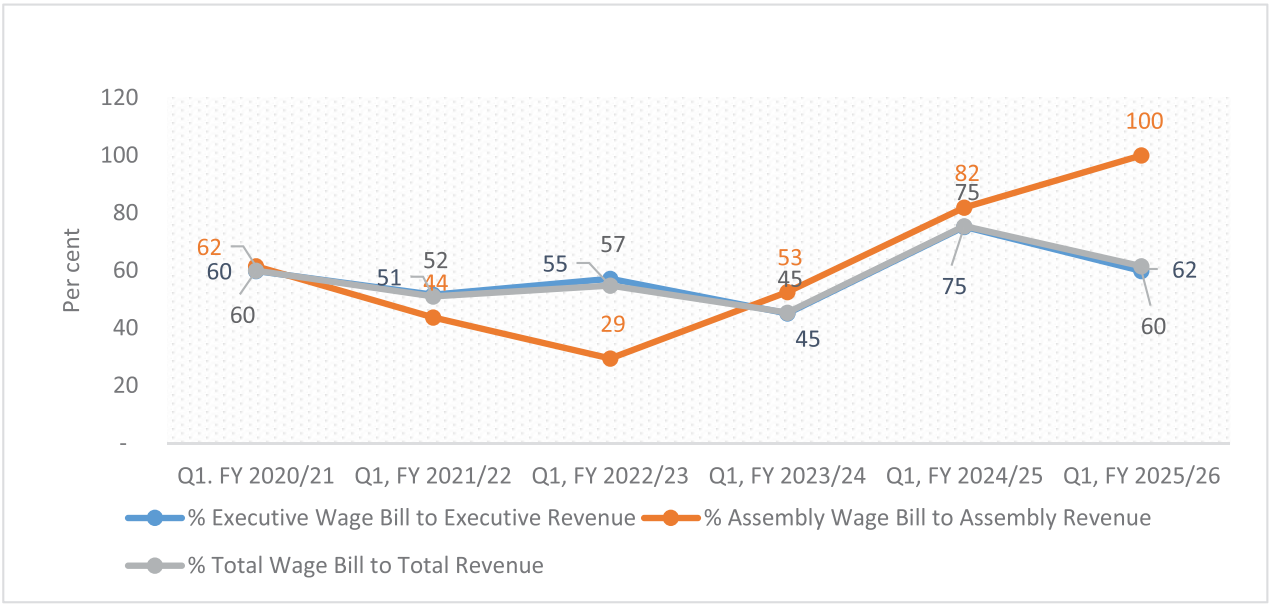
***Source**: Kwale County Treasury*

3.19.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.962 million. The percentage of compensation of employees to revenue was 63 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.1.12 billion reported in a similar period in FY 2024/25. Of this total, Kshs.493 million related to the Health Sector employees, which accounted for 51 per cent of the overall employees' compensation.

Figure 109 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 109: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Kwale County Treasury

Both the Assembly and the Executive increased their wage-to-revenue allocation over the years, peaking at 100 per cent in the first quarter of FY 2025/26 for the Assembly, which limits funding for other services. The average wage bill to revenue ratio for the Executive from FY 2020/21 to FY 2025/26 was 58 per cent, and both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures.

Further analysis indicated that PE costs amounting to Kshs.957 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.4 million was processed through manual payroll, which accounted for less than 1 per cent of the total PE cost.

The manual payroll comprised salaries for 90 staff not onboarded into the Human Resource which is a gratuity remittance to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.223.

Table 3.223: Breakdown of Kwale County Manual Payroll

Category	County Executive	County Assembly	Total
Gratuity for contract staff		4,695,039	4,695,039
Total	-	**4,695,039**	**4,695,039**

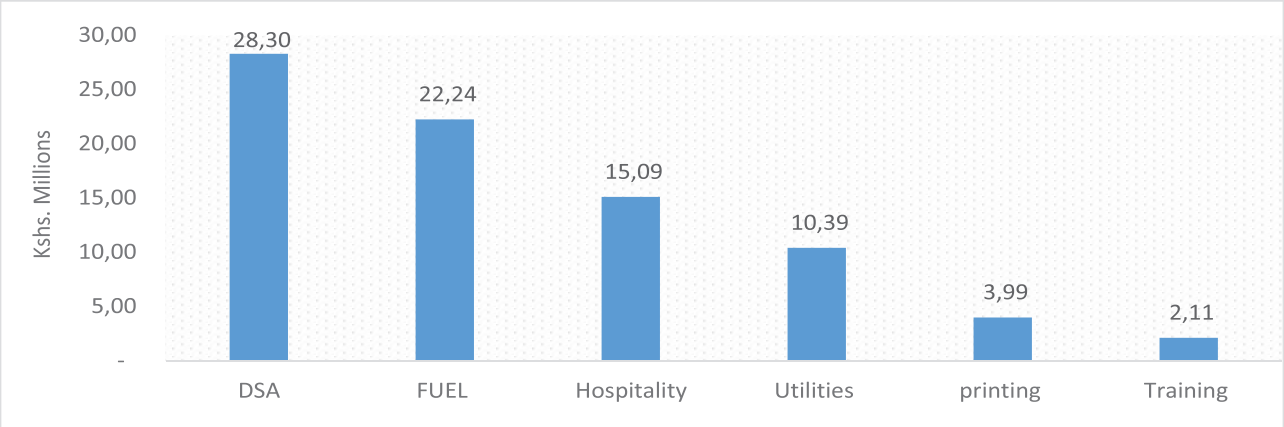
Source: Kwale County Treasury

The County Assembly spent Kshs.4.5 million on committee sitting allowances for the 31 MCAs against the annual budget allocation of Kshs.25 million. The average monthly sitting allowance was Kshs.50,000 per MCA. The County Assembly has 21 House Committees.

3.19.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.90 million on operations and maintenance, representing a decrease of 51 per cent compared to FY 2024/25, when the County spent Kshs.188 million. Figure 110 summarises the Operations and Maintenance expenditure by major categories.

Figure 110: Kwale County, Operations and Maintenance Expenditure by Major Categories



Source: *Kwale County Treasury*

3.19.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County has not reported any expenditure under "other Operating expenses"

3.19.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.642 million to County-Established funds in FY 2025/26. Further, the County allocated Kshs.5 million to the Emergency Fund in line with Section 110 of the PFM Act, 2012. Table 3.224 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.224: Performance of Kwale County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26	Exchequer Issues in the First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in First Nine Months of FY 2024/25 (Kshs.)	Cumulative disbursements to the fund	Submission of First quarter Financial statements (Yes/No)
County Executive Established Funds							
1	Kwale County Emergency Fund	2016	5,000,000	-	-	70,000,000	Yes
2	Kwale County Climate Change Fund	2022	237,000,000	14,083,750	-	14,083,750	Yes
3	Kwale County Trade Revolving Fund	2020	0	-	-	98,793,879	Yes
4	Youth, Women and PWD's Revolving Fund	2020	0	-	-	-	Yes
5	Kwale County Bursary and Scholarship Fund	2024	400,000,000	60,000,000	10,295,672	60,000,000	Yes
Subtotal			**642,000,000**	**74,083,750**	**10,295,672**	**242,877,629**	
County Assembly Established Funds							
1	Kwale County Assembly Members and staff loan Scheme fund	Established in 2016 and amended in 2020 and 2021	0	0	0	381,430,000	Yes
Subtotal			**0**	**0**	**0**	**381,430,000**	
Total			**642,000,000**	**74,083,750**	**10,295,672**	**624,307,629**	

Source: *Kwale County Treasury*.

During the reporting period, the CoB did receive quarterly financial reports from all Fund Administrators, as indicated in Table 3.224, as required by Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of all funds had not lapsed.

3.19.13 County Corporations

The County has Kwale County Corporations, which were allocated Kshs.1.02 billion in FY 2025/26. Their total expenditure for the review period amounted to Kshs.717 million. This expenditure was for the last FY 2024/2025, and it has not been reported in the annual report as shown in Table 3.225.

Table 3.225: Performance of Kwale County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1.	Kwale Water Company & Sewerage Company Limited	1,020,100,080	717,436,049	717,436,049	2,238,839,989
	TOTAL	**1,020,100,080**	**717,436,049**	**717,436,049**	**2,238,839,989**

Source: *Kwale County Treasury*

3.19.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.28 million and comprised Kshs.2.4 million spent by the County Assembly and Kshs.24 million by the County Executive. The County Executive and Assembly had not reported any expenditure on foreign travel.

3.19.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.37 million as FIF, which was 9 per cent of the annual target of Kshs.400 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.33 million, as shown in Table 3.226.

Table 3.226: Kwale County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	244,222,701	17,330,460	7
2.	Level 4 Hospital	3	230,369,400	15,463,002	7
3.	Level 3 Facility	4	27,525,000	597,000	2
4.	Level 2 Facility	170	48,530,600		
	Total		**550,647,701**	**33,390,462**	

Source: *Kwale County Treasury*

3.19.16 Development Expenditure

The County did not reported any expenditure on development project for the first quarter of FY 2025/2026

The County reported two stalled development projects as of 30 September 2025, with an estimated value of Kshs.281 million, of which Kshs.116 has already been paid. The stalled projects are shown in Table 3.227.

Table 3.227: Kwale County Stalled Projects as of 30 September 2025

Project Name	Project Location	Project Commencement Date	Expected Completion date of the Project	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance As of 30th June 2025	Percentage of Completion before Stalling of the Project	Reason for Project Stalling
Construction of Market Stalls at Kigato Trading centre in Waa Ng'ombeni	Waa Ng'ombani	3/17/2021	6/17/2021	3,295,341	1,571,048	1,724,293	48%	Land issues with the Kenya School of Government -Matuga
County Flagship Project 2 -Tarmacking of Kona Ya Musa – Mabokoni – Kona Ya Masai Road in Ukunda, Gombato/Bongwe wards	Ukunda	15.04.20	15.04.2021	277,977,685	114,720,884	163,256,801	41%	The project was terminated. The contractor went to court, awaiting the Court Verdict before Re-Tender
				281,273,026	**116,291,932**	**164,981,094**		

Source: Kwale County Treasury

3.19.17 Budget Performance by Department

Table 3.228 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.228: Kwale County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance And Economic Planning	749.22	48.36	59.18	-	40.42	-	68.3	-	5.4	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock And Fisheries	93.42	212.45	2.40	-	0.26	-	11.0	-	0.3	-
Land, Environment, Mining And Natural Resources	116.29	494.48	1.91	14.08	0.98	-	51.1	-	0.8	-
Health Services	1,094.29	502.05	17.99	-	2.32	-	12.9	-	0.2	-
County Assembly	659.89	561.41	65.43	-	92.13	-	140.8	-	14.0	-
Industry, Trade And Investments	71.81	691.44	1.26	-	0.14	-	10.9	-	0.2	-
Community Development, Youth And Women Empowerement And Social Services	136.24	207.26	2.74	-	2.40	-	87.8	-	1.8	-
Office Of The Governor And The Deputy Governor	119.52	50	4.95	-	4.40	-		-	3.7	
Education	608.64	623.86	221.13	-	0.05	-		-	0.0	-
Water And Urban Planning And Decentralized Units	81.15	1,654.29	6.08	-	5.60	-		-	6.9	-
Infrastructure And Public Works	119.05	1,692.50	5.32	71.76	4.60	-		-	3.9	-
Ict And Tourism	65.19	46.79	1.23	-	-	-	-	-	-	
County Public Service Board	92.55	19.98	2.02	-	-	-	-	-	-	-
Public Service And Administration	3,515.05	383.45	896.37	-	895.61	-	99.9	-	25.5	-
Municipality Of Kwale	18.08	73.42	1.60	-	0.52	-	32.3	-	2.9	-
Municipality Of Diani	35.79	104.83	1.97	-	1.07	-	54.3	-	3.0	
County Attorney	172.18	-	0.91	-	0.28	-	30.6	-	0.2	-
Municipality Of Lunga Lunga	18.91	29.12	0.60	-	0	-	0.4	-	0.0	-
Municipality Of Kinango	15.62	42.81	1.72	-	1.10	-	64.1	-	7.0	-
Preventive Health Services	177.48	428.69	1.53	-	-	-	-	-	-	
Total	**7,960.38**	**7,867.18**	**1,296.35**	**85.84**	**1,051.89**	**-**	**81.1**	**-**	**13.2**	**-**

Source: *Kwale County Treasury*

Analysis of expenditure by departments shows that the County did not report any expenditure on development. The Department of Kwale Assembly had the highest percentage of recurrent expenditure in the budget at 14 per cent, while the Departments of County Attorney, Health Service, and Municipality of Lunga Lunga had the lowest percentage.

3.19.18 Budget Execution by Programmes and Sub-Programmes

The County has not reported any expenditures on development for the first quarter of FY 2025/2026. In contrast, the recurrent sub-programs with the highest budget implementation rates, based on absorption rates, are as follows: County Coordination Services at 52 per cent, Diani Municipality at 6 per cent, while other expenditures are minimal. Several sub-programs reported a nil absorption rate, including infrastructure development.

3.19.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 240 Bank accounts in commercial banks, including 170 accounts for Health Facilities, 5 accounts for Established Funds, 4 revenue accounts, 32 imprest accounts, and 26 CBK accounts.

3.19.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 27th October,2025.
ii. The underperformance of own-source revenue at Kshs.78 million against an annual target of Kshs.886 million, representing 8 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Kshs.0 million on development activities.
iv. High level of trade payables, which amounted to Kshs.1.66 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
v. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
vi. The County reported OSR arrears of Kshs.310.42 million comprising of ordinary OSR arrears of Kshs.158.37 million and FIF (SHIF) arrears of Kshs.152.05 million. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
v. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
vi. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.20. County Government of Laikipia

3.20.1 Overview of FY 2025/26 Budget

The Laikipia County Approved Budget for FY 2025/26 is Kshs.9.22 billion. It comprises Kshs.4.27 billion (46.0 per cent) and Kshs.4.95 billion (54.0 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.737.60 million (9.0 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.48 billion and a recurrent budget of Kshs.5.0 billion. The increase in the budget was primarily attributed to the rise in both recurrent and development.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.5.64. billion (61.2 per cent), additional allocations of Kshs.1.08 billion (11.7 per cent), a cash balance of Kshs.1.15 billion (12.5per cent) brought forward from FY 2024/25, and Kshs.1.35billion (14.6 per cent) received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.229.

3.20.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.57 billion in revenue. This amount represented an increase of 41 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.11 billion. The total revenue consisted of Kshs.946.22 million from the equitable share of revenue re-

ceived nationally, as well as own-source revenue (OSR) collection of Kshs.236.59 million. Additionally, the County had a cash balance of Kshs.376.50 million from FY 2024/25. The total OSR collection of Kshs.236.59 million included Facilities Improvement Financing (FIF) of Kshs.171.11 million, and Kshs.65.48 million from other OSR sources. Table 3.229 summarises the total revenue received to the County Government during FY 2025/26.

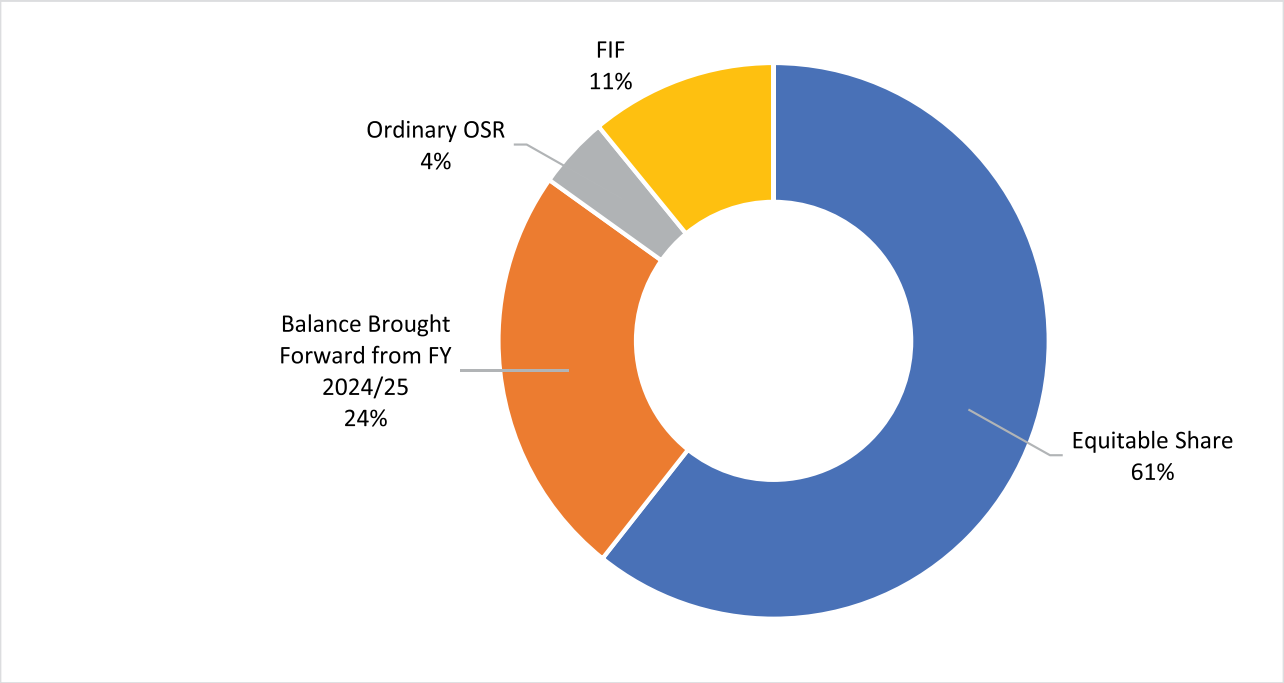
Table 3.229: Laikipia County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	5,640,962,159.00	**946,224,562.00**	17
Sub-Total	**5,640,962,159.00**	**946,224,562.00**	**17**
B. Additional Allocations			-
DANIDA Grant	15,840,000.00		-
Community Health Promoters	25,230,000.00		-
Kenya Devolution Support Project Level II	37,500,000.00		-
Headquarters- KDSP II programme	352,500,000.00		-
Road Maintenance Levy Fund - Fuel Levy	154,389,725.00		-
Public Works- Urban Development grant (UDG)	152,635,998.00		-
FLLoCA	110,000,000.00		-
Urban Development grant (UDG)	46,583,850.00		-
Kenya Food Systems Resilience Program (KFSRP)	171,720,811.00		-
Kenya Agriculture Business Development Program (KABDP)	10,918,919.00		-
Sub-Total	**1,077,319,303.00**	**0**	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	725,000,000.00	65,477,215.00	9
Balance b/f from FY2024/25	1,147,855,864.35	376,505,062.55	33
Balance at CRF			-
County Executive Refund to CRF	-	7,113,951.00	-
County Assembly Refund to CRF		7,128.00	-
Facility Improvement Fund (FIF)	626,000,000.00	171,110,458.00	27
Grand Total	**9,217,137,326.35**	**1,566,438,376.55**	**17**

Source: *Laikipia County Treasury*

The County Ordinary's Own-Source Revenue was below the target of 10 per cent. The County has governing legislation on the operation of ordinary A-I-A and FIF. Figure 111 provides a detailed breakdown of actual revenues, showing a breakdown of each shilling received.

Figure 111: Laikipia County Composition of Each Shilling Received in the First Quarter of FY 2025/26

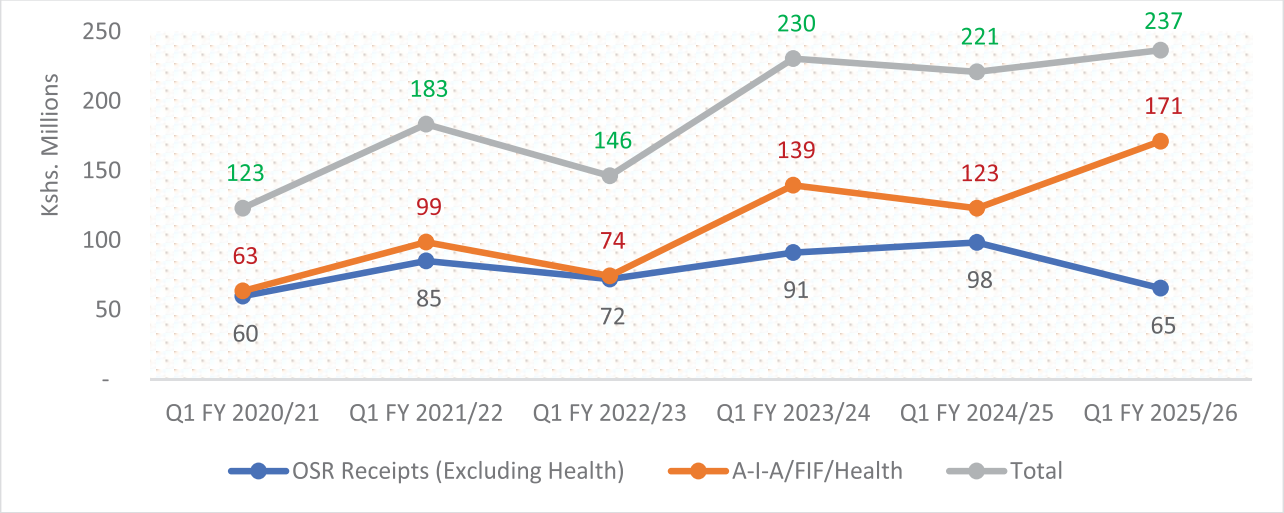


Source: *Laikipia County Treasury*

The equitable share of revenue received nationally, balance brought forward, FIF and OSR contributed 61 per cent, 24 per cent, 11 per cent and 4 per cent, respectively, of the total revenues received for the reporting period.

Figure 112 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 112: Laikipia County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

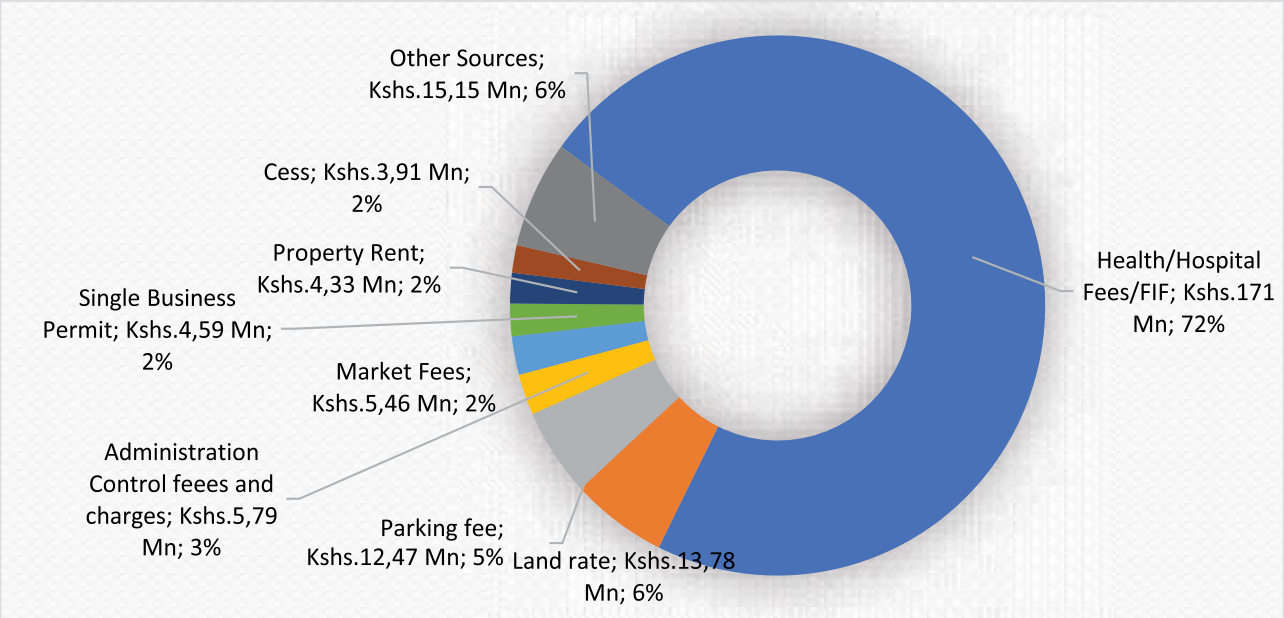


Source: *Laikipia County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.236.59 million from its revenue sources, including FIF. This amount was an increase of 7.0 per cent compared to Kshs.221.07million realised in a similar period in FY 2024/25, and was 25 per cent of the annual target and 17.5per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR received are shown in Figure 113.

Figure 113: Laikipia County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Laikipia County Treasury

As shown in the Figure 113, the highest revenue stream, at Kshs.171.11 million, was from Health/Hospital fees/ FIF, accounting for 72 per cent of the total OSR received. The County Government indicated that it has automated 19 out of 19 revenue streams.

3.20.3 Revenue Arrears/ Receivables

As of 1st July 2025, the County reported receivables of Kshs.741.91 million, this amount decreased to Kshs.739.54 million as of 30th September 2025. Table 3.230 presents a breakdown of the County's receivables.

Table 3.230: Laikipia County Revenue Arrears as of 30 September 2025

Revenue Stream	Receivables as of 30 June 2025 (Kshs.)	Progress made in Q1 FY 2025/26			Revenues Arrears as of 30 September 2025 (Kshs.)
		Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in Q1 FY 2025/26 (Kshs)	
	a	b	c	d	f=a-b-c+d
Ordinary Own Sources of Revenue-					
Land rate	729,036,257	-	4,589,412	-	724,446,846
Property Rent	12,877,214	-	4,329,057	6,550,161	15,098,318
Sub-Total	741,913,471	-	8,918,469	6,550,161	739,545,164
Total	**741,913,471**	**-**	**8,918,469**	**6,550,161**	**739,545,164**

Source: Laikipia *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.739.55 million, comprising Kshs.8.92 for 2024/25 (1per cent). The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include 741.91.

3.20.4 Borrowing by the County

Laikipia County Assembly has a credit facility with Family Bank(s) totalling Kshs.24 million. The credit facility was used to pay salaries in the review period.

3.20.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.781.31 million from the CRF account during the reporting period, which comprised Kshs.10.45 million (less than 1 per cent) for development programmes and

Kshs.770.86 million (9 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.720.64 million was towards employee compensation and Kshs.50.22 million for operations and maintenance expenditure.

The operations and maintenance analysis show that 12 per cent of the exchequer was for domestic travel (Kshs.14.87 million) and 23 per cent for foreign travel (Kshs.12.10 million), both fully incurred by the County Assembly.

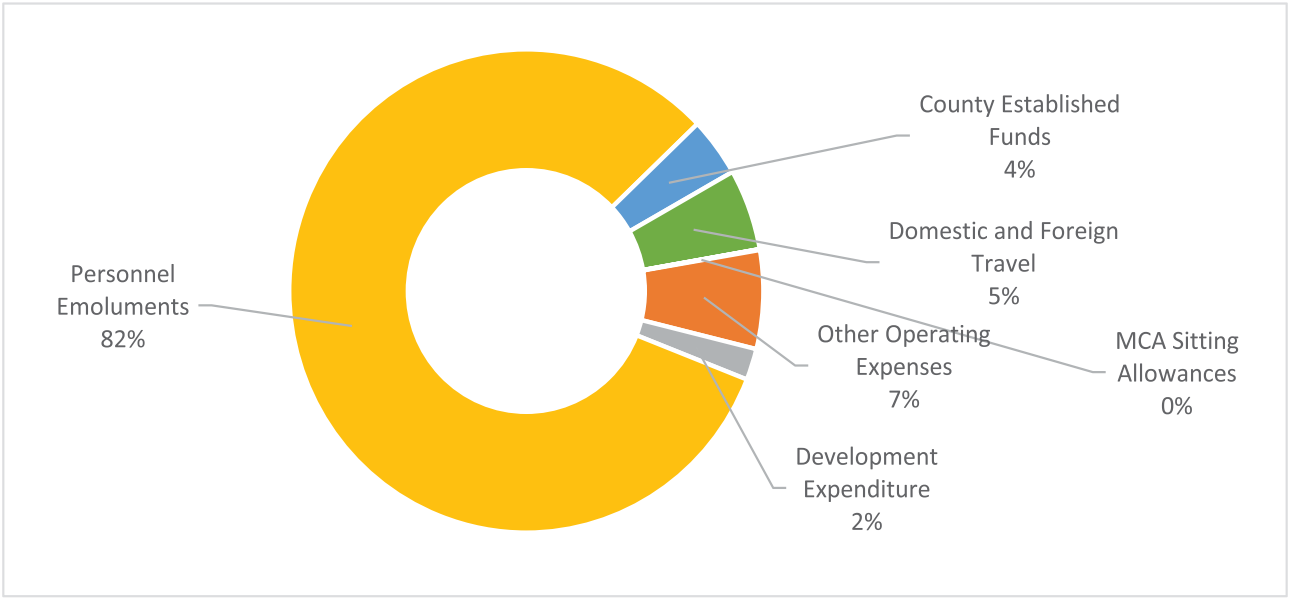
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.201.07 million.

3.20.6 Expenditure Review

The County spent Kshs.446.68 million on development and recurrent programmes in the reporting period. The expenditure represented 5.0 per cent of the total funds released by the CoB. It comprised Kshs.10.45 million for development programmes and Kshs.436.23 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 0. 24less than 1 per cent, while recurrent expenditure represented 98.82 per cent of their budget allocations respectively.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling paid.

Figure 114: Laikipia County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Laikipia *County Treasury*

As shown in Figure 114, the three highest expenditure categories were Personnel Emoluments, Other Operating Expenses, and Domestic and Foreign Travels, which contributed 82 per cent, 7 per cent, and 5 per cent of total expenditure for the reporting period, respectively.

3.20.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.71 billion. This amount included Kshs.1.66 billion from the County Executive and Kshs.49.68 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.591.91 million for recurrent expenditures and Kshs.1.07 billion for development expenditures.

During the reporting period, the County Executive settled Kshs.188.08 million in recurrent payables, while the County Assembly addressed Kshs.24.92 million in recurrent payables. As of September 30, 2025, outstanding trade payables stood at Kshs.1.47 billion for the County Executive and Kshs.24.76 million for the County As-

sembly. Table 3.231 provides additional details of trade payables.

Table 3.231: Laikipia County Trade Payables as of 30th September 2025

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	County Executive	1,070,703,281	591,914,587	1,662,617,868
	County Assembly	3,987,000	45,695,281	49,682,281
	Total	1,074,690,281	637,609,867	1,712,300,149
Amount Paid in FY 2025/26	County Executive	-	188,084,043	188,084,043
	County Assembly	-	24,924,653	24,924,653
	Total	-	213,008,696	213,008,696
Trade payables incurred in FY 2025/26	County Executive	1,070,703,281	403,830,544	1,474,533,825
	County Assembly	3,987,000	20,770,628	24,757,628
	Total	1,074,690,281	424,601,172	1,499,291,453
Outstanding trade payables as of 30 September 2025 (Kshs.)	County Executive	1,070,703,281	403,830,544	1,474,533,825
	County Assembly	3,987,000	20,770,628	24,757,628
	Total	1,074,690,281	424,601,172	1,499,291,453

Source: *Laikipia County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.1.66 billion and Kshs.49.68 million, respectively, in FY 2025/26. In the first quarter of FY 2025/26, the County cleared Kshs.188.08 million for the Executive and Kshs.24.92 million for the Assembly.

Table 3.232 and Table 3.233 present the ageing of the total outstanding payables as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.5 billion.

Table 3.232: Table 3.232: Laikipia County Executive Trade Payable Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables	20,588,000.00	88,636,433.30	217,791,012.30	743,687,835.02	**1,070,703,280.62**
Recurrent Trade payables (Goods & Services)	30,263,895.00	159,505,511.21	57,111,965.92	156,949,171.84	**403,830,544.00**
Total Recurrent Trade payables	30,263,895.00	159,505,511.21	57,111,008.92	156,949,171.84	**403,830,544.00**
Total Trade payables	**50,851,895.00**	**248,141,944.51**	**274,902,978.22**	**900,637,006.86**	**1,474,533,825.62**
% of Total	**3.4%**	**16.8%**	**18.6%**	**61%**	**100%**

Source: *Laikipia County Treasury*

Table 3.232 shows that 82 per cent of the Executive trade payables are older than two years, raising concern as to whether the Executive prioritises settlement of older bills in line with the FIFO basis stipulated in regulation 55(1)(b) of the PFM (County Government) Regulations, 2015.

Table 3.233: County Assembly Trade Payable Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables	**0**	**0**	**0**	3,987,000	**3,987,000**
Recurrent Trade payables (Goods & Services)				20,770,628	**20,770,628**
Total Recurrent Trade payables	0	0	0	20,770,628	**20,770,628**
Total Trade payables	**0**	**0**	**0**	24,757,628	**24,757,628**
% of Total	-	-	-	**100 %**	**100%**

Source: *Laikipia County Treasury*

Table 3.233 shows that 100 per cent of the Assembly's trade payables are over three years old, raising concern as to whether the Executive prioritises settlement of older bills in line with the FIFO basis stipulated in regulation 55(1)(b) of the PFM (County Government) Regulations, 2015.

3.20.8 Expenditure by Economic Classification

During the reporting period, the County Executive paid Kshs.349.19 million for compensation of employees, nil on operations and maintenance, and Kshs.77.27 million for development activities. Similarly, the County Assembly paid Kshs.56.76 million on compensation of employees, Kshs.29.61 million on operations and maintenance, and nil on development activities, as shown in Table 3.234.

Table 3.234: Laikipia County Summary of Budget and Expenditure by Economic Classification

Sector / Category	Budget (Kshs)	Exchequer Issues (Kshs)	Expenditure (Kshs)	Expenditure % of Exchequer Issues	Absorption Rate
County Executive					
Recurrent	**4,415,164,035.00**	**684,486,432.00**	**349,187,968.00**	**51**	**8**
Compensation to Employees	3,089,185,733.00	663,881,891.00	349,187,968.00	53	11
Operations & Maintenance	1,325,978,302.00	20,604,541.00	-	-	-
Development	**4,260,472,209.00**	**10,446,683.00**	**10,446,683.00**	**100**	**0.3**
Executive Sub-total	**8,675,636,244.00**	**694,933,115.00**	**359,634,651.00**	**52**	**4**
County Assembly					
Recurrent	**531,501,082.00**	**86,374,887.00**	**86,374,887.00**	**100**	**16**
Compensation to Employees	260,814,267.00	56,763,420.00	56,763,420.00	100	22
Operations & Maintenance	270,686,815.00	29,611,467.00	29,611,467.00	100	11
Development	**10,000,000.00**	-	-	-	-
Assembly Sub-total	**541,501,082.00**	**86,374,887.00**	**86,374,887.00**	**100**	**16**
Combined County Totals					
Total Recurrent	**4,946,665,117.00**	**770,861,319.00**	**435,562,855.00**	**57**	**9**
Compensation to Employees	3,350,000,000.00	720,645,311.00	405,951,388.00	56	12
Operations & Maintenance	1,596,665,117.00	50,216,008.00	29,611,467.00	59	2
Total Development	**4,270,472,209.00**	**10,446,683.00**	**10,446,683.00**	**100**	**0.24**
Grand Total	**9,217,137,326.00**	**781,308,002.00**	**446,009,538.00**	**57**	**5**

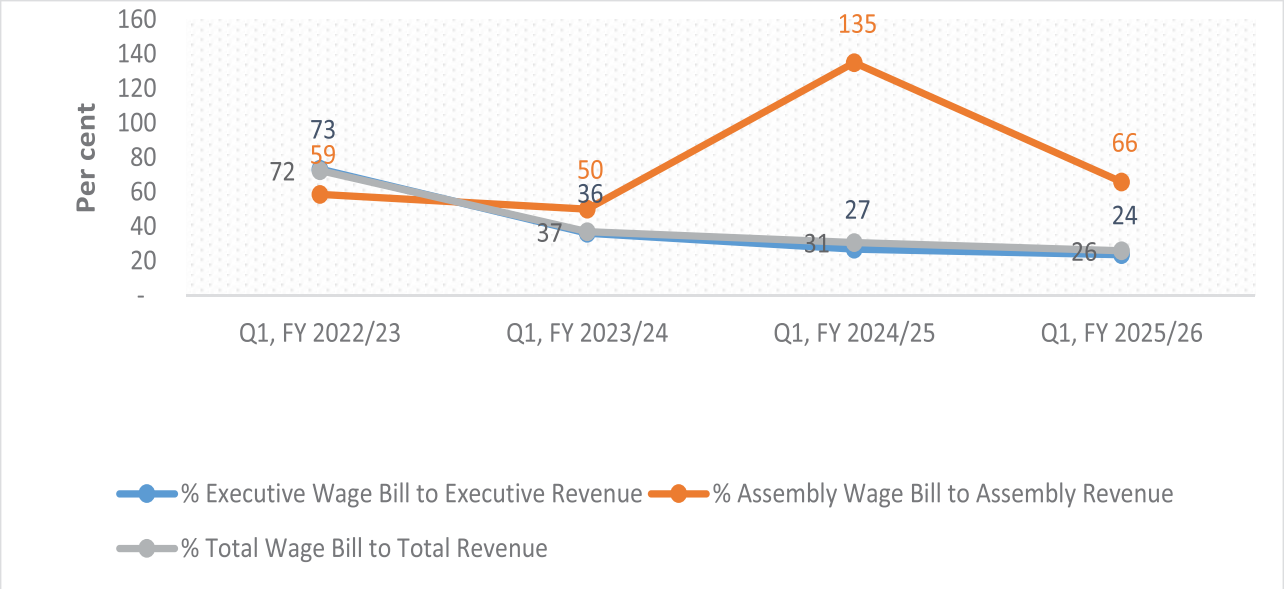
Source: *Laikipia County Treasury*

3.20.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.405.95 million. The percentage of compensation of employees to revenue was 12.12 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.339.68 million reported in a similar period in FY 2024/25. Of this total, Kshs.280.5 million was related to Health Sector employees, which accounted for 69.1 per cent of the overall employees' compensation.

Figure 115 shows the trend in employees' compensation as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 115: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Laikipia County Treasury

As shown in Figure 115, the County Assembly apportioned 66 per cent of its funds inflow in the first quarter of FY 2025/26 towards compensation of employees while the Executive apportioned 24 per cent. Further analysis indicated that PE costs amounting to Kshs.385.47 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.20.48 million was processed through manual payroll, which accounted for 5.0 per cent of the total PE cost.

The manual payroll comprised salaries for 1180 staff not onboarded into the Human Resource Information System (HRIS), salaries for 8 casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.235.

Table 3.235: Breakdown of Laikipia County Manual Payroll

Category	County Executive (Kshs.)	County Assembly (Kshs.)	Total (Kshs.)
Salaries for staff paid outside the Human Resource Information System (HRIS)	17,049,600.00	3,432,001.50	20,481,601.50
Total	**17,049,600.00**	**3,432,001.50**	**20,481,601.50**

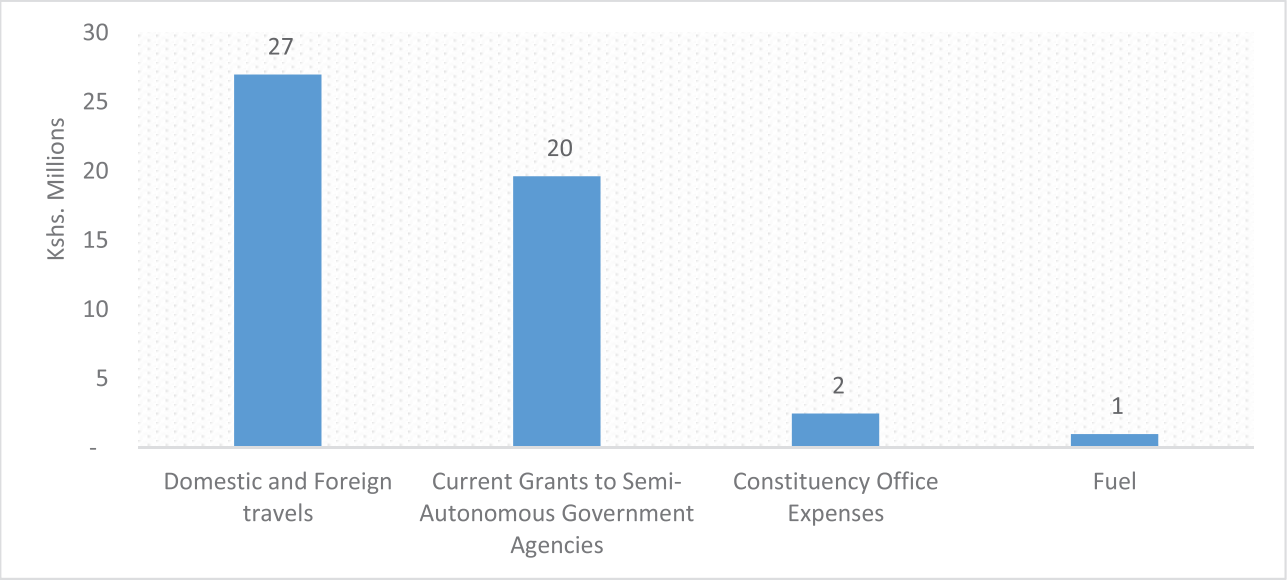
Source: Laikipia County Treasury

The County Assembly paid Kshs.0.31 million on committee sitting allowances for the 22 MCAs against the annual budget allocation of Kshs.20.97 million. The average monthly sitting allowance was Kshs.4648.48 per MCA. The County Assembly has 18 House Committees.

3.20.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.29.61 million on operations and maintenance, representing a decrease of 375 per cent compared to FY 2024/25, when the County paid Kshs.140.87 million. Figure 116 summarises the Operations and Maintenance expenditure by major categories.

Figure 116: Laikipia County, Operations and Maintenance Expenditure by Major Categories



Source: *Laikipia County Treasury*

3.20.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.277.17million to County-Established funds in FY 2025/26, or less than 1 per cent of the County's overall budget. Further, the County allocated Kshs.82.17 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.236 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.236: Performance of Laikipia County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1	County Executive Emergency Fund	2020	82,174,000	-	6,257,962	-	Yes
2	Laikipia County Leasing Fund	2020	105,000,000	-	11,295,839	-	Yes
3	Car Loan & Mortgage Scheme fund	2014	15,000,000	-	-	-	Yes
4	Laikipia County Education Bursary Fund	2014	75,000,000	-	2,082,284	-	Yes
5	County Executive Emergency Fund	2020	82,174,000	-	6,257,962	-	Yes
	Total		**277,174,000**		**19,636,085**		
		County Assembly Established Funds					
1	Staff Loans and Mortgage	2021	15,000,000	-	-	-	
2	Staff Housing Loans	2023	33,058,015	-	-	-	
	Total		**48,058,015**				

Source: *Laikipia County Treasury*

During the reporting period, the CoB received quarterly financial reports from all Fund Administrators, as indicated in Table 3.236, contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that the administration costs of the County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespans of the **Car Loans and Mortgage Scheme** and the **Laikipia County Education Bursary Fund** had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.20.12 County Corporations

The County has five County Corporations, which were allocated Kshs.280.16 in FY 2025/26 as shown in Table 3.237.

Table 3.237: Performance of Laikipia County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Revenue Board	45,000,000	-	-	357,872,605
	LCDA	7,000,000		-	77,363,022
	Nanyuki Municipality	166,135,998	-	-	11,600,000
	Rumuruti Municipality	56,028,938	-	-	168,086,892
	Nyahururu Municipality	6,000,000	-		-
	Total	280,164,936.00			614,922,519.00

Source: *Laikipia County Treasury*

3.20.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel totalled Kshs.14.87 million, spent by the County Assembly. Expenditure on foreign travel totalled Kshs.12.1 million, also paid by the County Assembly. Expenditure on foreign travel is summarised in Table 3.238.

Table 3.238: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Executive					
County Assembly	29	7-13th September 2025	Training	Tanzania	12,104,026
Total					12,104,026

Source: Laikipia County Assembly

3.20.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.171.11 million as FIF, which was 27.33 per cent of the annual target of Kshs.626 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023. The expenditure by the health facilities amounted to Kshs.152.58 million, as shown in Table 3.239.

Table 3.239: Laikipia County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 4 Hospital	5	748,101,403	151,373,110	20
2.	Level 3 Facility	2	7,967,285	1,205,730	15
	Total		**756,068,688**	**152,578.840**	**20**

Source: *Laikipia County Treasury*

3.20.15 Development Expenditure

In the review period, the County reported expenditure of Kshs.77.27 million on development programmes, representing an increase of 176.79per cent compared to FY 2024/25, when the County paid Kshs.27.92 million. Table 3.240 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to Capital grants.

Table 3.240: Laikipia County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1	Finance	Being payment in respect to the rehabilitation of Lusiwa Dam in Salama Ward	S A L A M A WARD	23/05/2025	3,294,841	3,294,841	3,294,841	100
2		Being payment in respect to the rehabilitation of Nkirolit Dam in Salama Ward	S A L A M A WARD	23/5/2025	2,962,582.00	2,962,582.00	2,962,582.00	100
	Donor Funded Projects							
7	Agriculture	Food System Grant	County Wide	30/6/2026	172,621,804	71,012,240	101,609,564	41%

Source: *Laikipia County Treasury*

The County reported 4 stalled development projects as of 30 September 2025, with an estimated value of Kshs.5.44 million, of which Kshs.1.11 has already been paid. The stalled projects are shown in Table 3.241.

Table 3.241: Laikipia County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project (Kshs.)	Outstanding Balance as of 30 September 2025 (Kshs.)	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Proposed Flood Lights at Marina, Kariguini, Matopeni, Misri, Bahati and Kahuruko In Ngobit Ward	Ngobit ward	2,120,480	Not Paid	2,084,520	50%	Delay from the contractor
Proposed Relocation Of Modern Kiosks at Ngarengiro Market in Segera Ward, Laikipia County	Segera ward	1,060,000	Not Paid	1,052,236	60%	Delay from the contractor
Proposed Construction of Tourism Information Centre at Nanyuki Equator	Nanyuki ward	2,302,600	Not Paid	2,307,843	70%	Delay from the contractor
Proposed Floodlights at Check Point and Muruku	Salama ward	1,071,840	Not Paid	1, 053,976.40	50%	Delay from the contractor

Source: Laikipia County Treasury

3.20.16 Budget Performance by Department

Table 3.242 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.242: Laikipia County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration, Public Service and Office of The Governor	3,739.80	387.94	725.79		349.85		48.2	-	9.4	-
Finance, Economic Planning and The County Treasury	220.95	499.27	-	-	-	6.26	-	-	-	1.3
Health and Sanitation	228.39	1,237.62	-	-	-		-	-	-	-
Agriculture Livestock and Fisheries	17.50	342.55	-	-	-	71.01	-	-	-	20.7
Infrastructure and Public Works	55.51	967.91	-	-	-		-	-	-	-
Education	103.50	112.83	-	-	-		-	-	-	-
Youth and Sports	11.50	7.99	-	-	-		-	-	-	-
Trade, Tourism and Enterprise Development	15.91	132.29	-	-	-		-	-	-	-
Water	14.60	358.89	-	10.45	-		-	2.9	-	-
Rumuruti Municipality	3.00	53.03	-	-	-		-	-	-	-
Nyahururu Municipality	1.00	5.00	-	-	-		-	-	-	-
Nanyuki Municipality	3.50	162.64	-	-	-		-	-	-	-
County Assembly	531.50	2.50	86.37	-	108.12		125.2	-	20.3	-
Total	4,946.67	4,270.47	812.17	10.45	457.98	77.27	56.4	2.9	9.3	1.8

Source: Laikipia County Treasury

Analysis of departmental expenditures shows that the Department of County Executive and Agriculture had the highest development budget absorption rate at 21 per cent, while the County Assembly recorded the highest recurring expenditure rate at 20 per cent. Several Executive departments, however, did not incur any recurrent expenditures.

3.20.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Grant and transfer to entities in the Department of Agriculture at 21 per cent and Emergency in the Department of Finance at 11 per cent, of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Compensation to employees in the Department of County Assembly at 23 per cent, Compensation to employees in the Department of County Administration at 10 per cent, County Service Delivery in the Department of County Administration at 17 per cent, per cent of the budget allocation.

3.20.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 44 accounts in commercial banks, including 12 accounts for Health Facilities, 10 accounts for Vocational Training Centres, 5 accounts for Established Funds, revenue accounts, and 16 special-purpose accounts (additional allocations).

The County Treasury submitted copies of the authorisation letters to the Controller of Budget for the opening of 56 commercial bank accounts, as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.20.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 31st October,2025.
ii. Low development performance in the review period as the County paid Kshs.77 million on development activities, achieving a 1.8 per cent absorption rate.
iii. Unspent funds from FY 2024/25 were not refunded into the CRF account, resulting in actual expenditures exceeding the approved exchequer in several departments, as shown in Table 3.242.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Fund, the Laikipia County Emergency Fund and the Bursary Fund had lapsed, making them ineligible for further withdrawals.
v. High level of trade payables, which amounted to Kshs.1.5 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vi. Use of manual payroll. Personnel emoluments amounting to Kshs.2.48 million for 1060 staff not onboarded into HRIS and 120 casual staff were processed through manual payroll. Manual payroll is prone to abuse and may result in the loss of public funds.
vii. The County reported stalled projects with an estimated value of Kshs.6.55 million, of which Kshs.1.11 million had been paid. These are sunk costs that have yielded no tangible benefit for the citizens. The return on investment is currently zero, and this amount is at risk of being entirely written off if the projects remain stalled or are abandoned.
viii. The County reported revenue arrears of Kshs.739.54 million comprising of Kshs.724.45 million on land rates and Kshs.15.10 million on property rent. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County Treasury should ensure unspent funds from the previous financial year are deposited into the CRF Account in line with Section 136 of the PFM Act 2012.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vi. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vii. *The County should Strengthen Project Appraisal: Enhance the rigour of feasibility studies and cost estimation before project initiation to prevent under-budgeting. Implement Robust Monitoring & Evaluation (M&E): Establish a mandatory, active M&E system that flags "at-risk" projects early, allowing for intervention before they stall completely. Enforce Accountability: Clarify and enforce accountability for project officers and managers for the delivery of projects within budget and timeline.*

viii. *The County needs to develop strategies to collect these outstanding arrears to aid in budget implementation.*

3.21. County Government of Lamu

3.21.1 Overview of FY 2025/26 Budget

The Lamu County Approved Budget for FY 2025/26 is Kshs.4.65 billion. It comprises Kshs.1.55 billion (33 per cent) and Kshs.3.09 billion (67 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.340.29 million (7 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.1.90 billion and a recurrent budget of Kshs.3.08 billion. The decrease in the budget was primarily attributed to the delay in enacting the County Government Additional Allocation Act (CGAA) 2025, which had not been passed at the time the County was preparing and appropriating its budget.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.3.41 billion (73 per cent), additional allocations of Kshs.722 million (16 per cent), a cash balance of Kshs.241.28 million (5 per cent) brought forward from FY 2024/25, and Kshs.280 million (6 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.243.

3.21.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.881.66 million in revenue. This amount represented a decrease of 17per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.05 billion. The total revenue consisted of Kshs.585.24 million from the equitable share of revenue raised nationally and own-source revenue (OSR) collection of Kshs.55.15 million. Additionally, the County had a cash balance of Kshs.241.28 million from FY 2024/25. Kshs.55.15 million from other OSR sources. Table 3.243 summarises the total revenue available to the County Government during FY 2025/26.

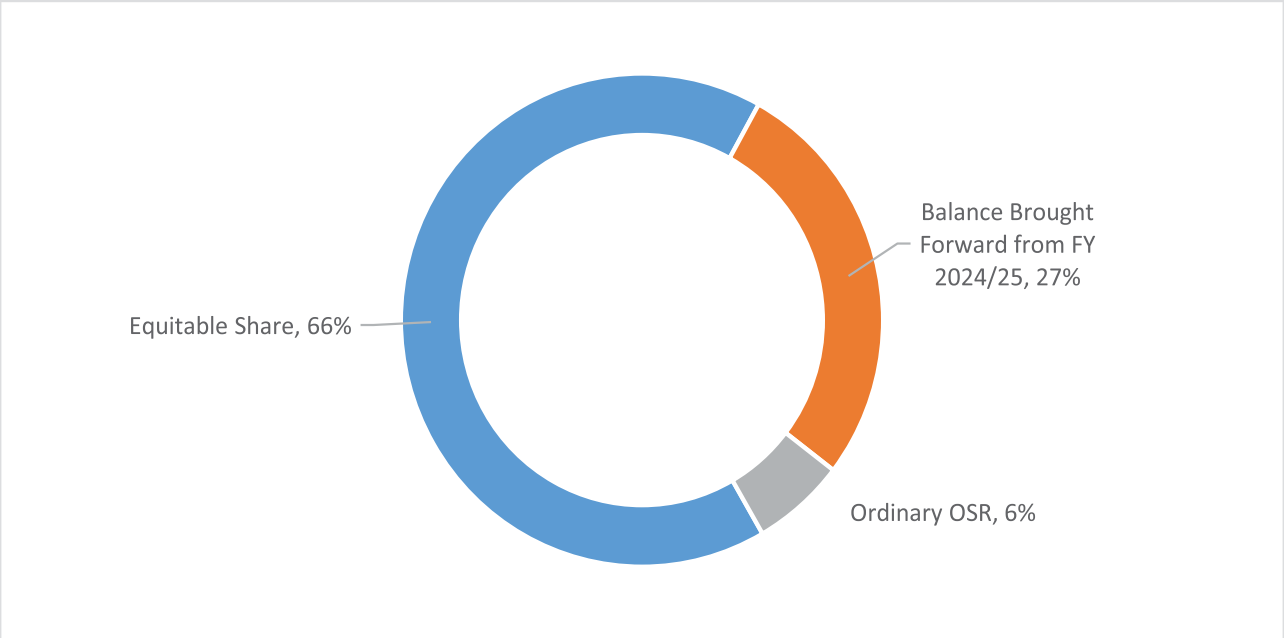
Table 3.243: Lamu County, Revenue Performance in FY 2025/26

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue5 as Percentage of Budget Allocation (%)
A	Equitable Share of Revenue Raised Nationally	3,405,085,512	585,236,325	17
Subtotal		3,405,085,512	585,236,325	17
B	Equalisation Fund Disbursement	0	0	0
Subtotal				
C	**Additional Allocations**			
1	Kenya Devolution Support Program II	390,000,000	0	0
2	Primary Health Care(PHC)	5,842,500	0	0
3	Food Systems Resilience Project(FSRP)	246,153,846	0	0
4	FLLoCA	80,000,000	0	0
Subtotal		**721,996,346**	**0**	**0**
D	**Ordinary Own Source Revenue (OSR)**			
1	Own Source Revenue	150,000,000	55,146,364	37
Subtotal		**150,000,00**	**55,146,364**	**37**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	130,000,000	0	0
Subtotal		**130,000,000**	**0**	37
F	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	241,279,671	241,279,671	100
2	County Executive Refunds to CRF			
3	County Assembly Refunds to CRF	0	0	
Subtotal		**241,279,671**	**241,279,671**	**100**
Grand Total		**4,648,361,529**	**881,662,360.00**	**19**

Source: *Lamu County Treasury*

Figure 117 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 117: Lamu County Composition of Each Shilling Received in the First Quarter of FY 2025/26

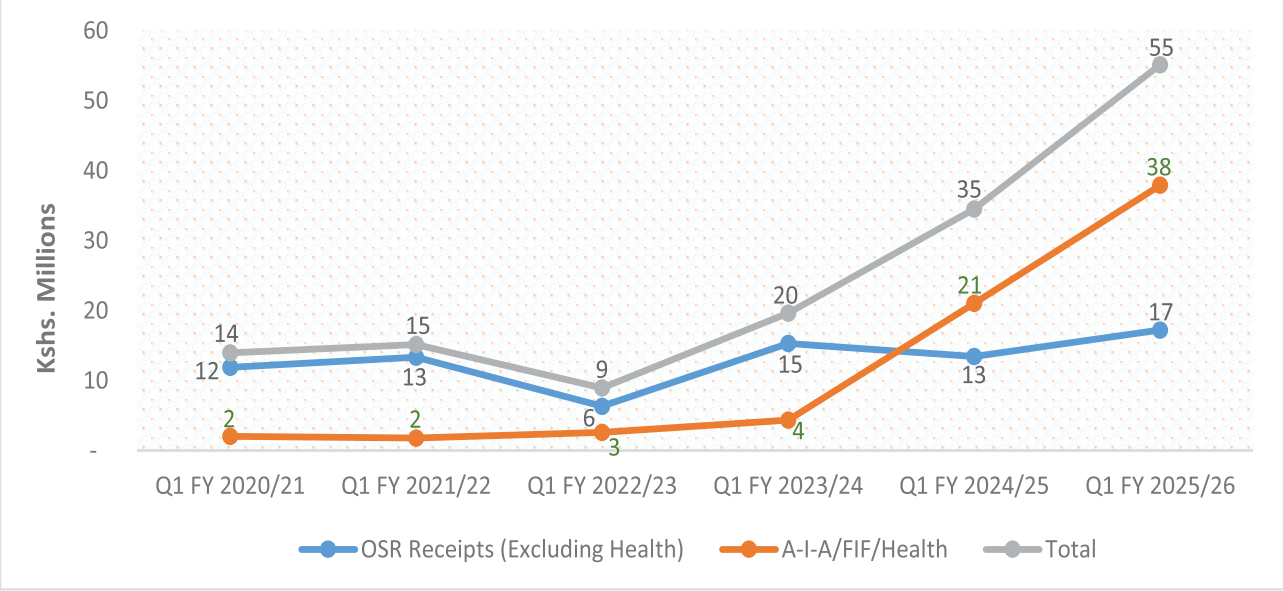


Source: *Lamu County Treasury*

The equitable share of revenue raised nationally and OSR contributed 66 and 6 per cent respectively of the total receipts for the reporting period.

Figure 118 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 118: Lamu County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



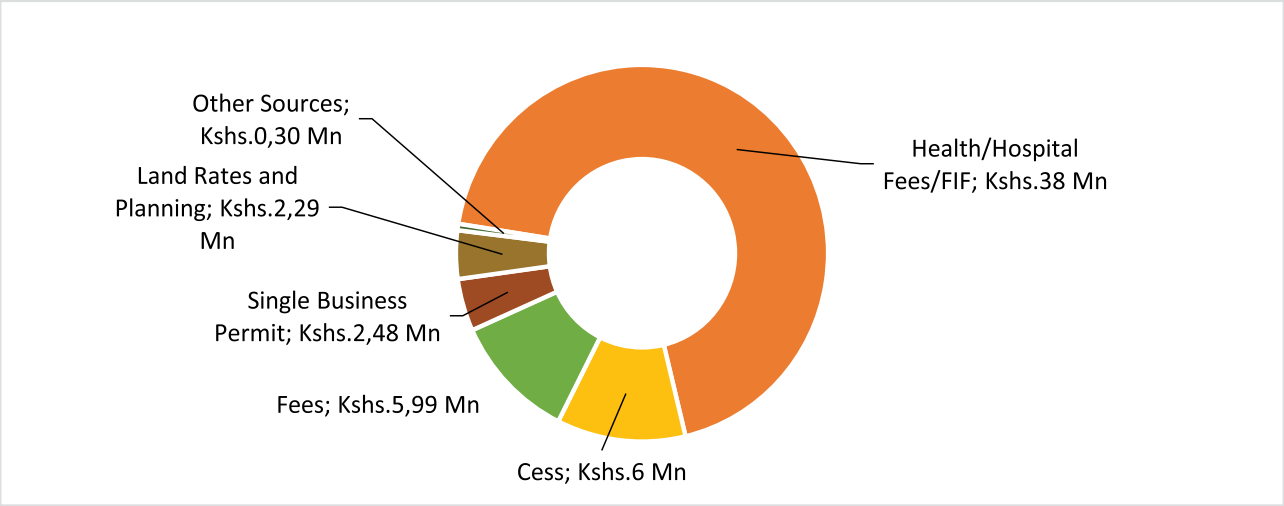
Source: *Lamu County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.55.15 million from ordinary own source revenue. This amount was an increase of 60 per cent compared to Kshs.34.52 million realised in a similar period in FY 2024/25, and was 30 per cent of the annual target and 1 per cent of the equitable revenue share disbursed.

The increase in OSR can be attributed to good governance within the revenue department, enhanced internal control measures, the expansion of services, and the automation of all revenue streams. The revenue streams

which contributed the highest OSR receipts are shown in Figure 119.

Figure 119: Lamu County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Lamu County Treasury

As shown in Figure 119, the highest revenue stream, at Kshs.37.91 million, was from Facility Improvement Financing, accounting for 52 per cent of the total OSR receipts. The County Government indicated that it has automated all its revenue streams, which are 34.

3.21.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.223.07 million, this amount remained the same as of 30th September 2025. Table 3.244 presents a breakdown of the County's revenue arrears.

Table 3.244: Lamu County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
	Ordinary Own Sources of Revenue					
1	**Land rate**	220,514,258	**0**	**0**	**0**	**220,514,258**
2	**Single/Business Permits**	2,557,900	**0**	**0**	**0**	**2,557,900**
	Sub-Total					
Total		**223,072,158**	**0**	**0**	**0**	**223,072,158**

Source: *Lamu County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.223.07 million, comprising Kshs.220.51 million for Land Rates (99 per cent) and Kshs.2.56 Million(1 per cent) for Single Business Permit.

3.21.4 Borrowing by the County

The County didn't borrow during the period under review

3.21.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.402.70 million from the CRF account during the reporting period, which comprised Kshs.10 million (2 per cent) for development programmes and Kshs.392.7 million (98 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.349.77 million was towards employee compensation and Kshs.42.93 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 61 per cent was for domestic travel and 39 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.26.12 million and included Kshs.16.81 million for the County Assembly. The foreign exchequer totalled Kshs.16.81 million all for the County Assembly.

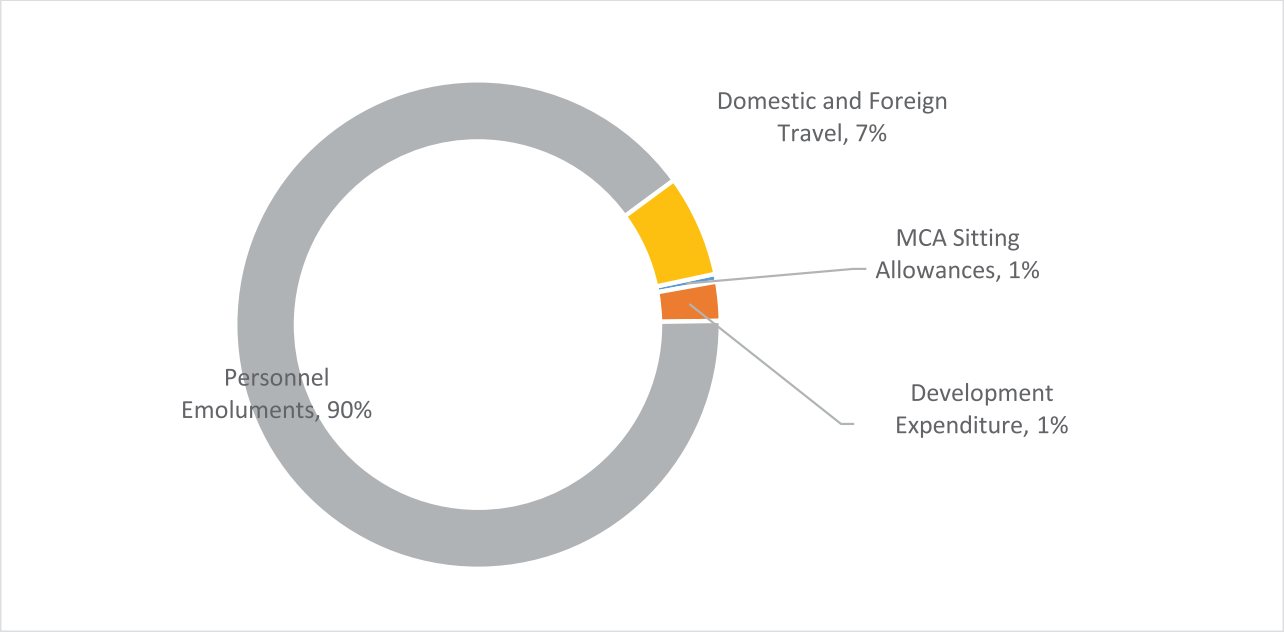
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.644.77 million.

3.21.6 Expenditure Review

The County spent Kshs.402.67 million on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.10 million for development programmes and Kshs.392.7 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 1 per cent, while recurrent expenditure represented 13 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 120: Lamu County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Lamu County Treasury*

As shown in Figure 120, the three highest expenditure categories were personnel emoluments, domestic and foreign travel, MCA sitting allowances, and development expenditure, which contributed 90 per cent, 7 per cent, 1 per cent, and 1 per cent, respectively, of the total expenditure for the reporting period.

3.21.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.32.11 million, with the entire amount being recurrent trade payables for the County executive.

During the reporting period, the County Executive settled trade payables amounting to Kshs.13.61 42 per cent which was all for recurrent programmes. Table 3.245 provides additional details of trade payables.

Table 3.245: Lamu County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	-	32,114,251	-
		County Assembly		-	-
		Total	-	32,114,251	-
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive		13,606,394	-
		County Assembly		-	-
		Total	-	-	-
Amount paid in FY 2025/26	c	County Executive		13,606,394	-
		County Assembly			-
		Total	-	-	-
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**		**18,507,857**	-
		County Assembly		-	-
		Total	-	-	-

Source: *Lamu County Treasury*

The County Executive submitted a trade payables payment plan, committing to pay Kshs.32.11 million, in the first quarter of FY 2025/26. The County adhered to this payment plan, as it cleared Kshs.13.61 million for the Executive.

Table 3.246 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive which was Kshs.18.5 million.

Table 3.246: Lamu County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**0**	**0**	**0**	**0**	**0**
Recurrent Trade Payables (Goods & Services)	16,347,042	2,160,815	0	0	**18,507,857**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-				**0**
Recurrent Trade Payables (Staff Claims)					**0**
Total Recurrent Trade Payables	16,347,040	2,160,815	0	0	**18,507,857**
Total Trade Payables	**16,374,040**	**0**	**0**	**0**	**18,507,857**
% of Total	**88**	**12**	**0**	**0**	**100**

Source: Lamu *County Treasury*

The Executive is commended for adhering to its first-quarter payment plan and is urged to do the same in the remaining period of FY 2025/26.

3.21.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.310.59 million for employee compensation, while incurring no expenditure on operations and maintenance, and Kshs.10 million for development activities. Similarly, the County Assembly spent Kshs.39.14 million on employee compensation and Kshs.42.9 million on operations and maintenance, as shown in Table 3.247

Table 3.247: Lamu County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**2,621,842,948**	**472,735,064**	**310,592,064**	**82,074,258**	**12**	**17**
Compensation of Employees	1,883,414,995	196,735,064	310,592,691	39,141,368	16	20
Operations and Maintenance	738,427,953	276,000,000	0	42,932,890	0	16

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Development Expenditure	1,443,783,517	110,000,000	10,000,000	0	1	0
Total	4,065,626,465	582,735,064	320,592,064	82,074,258	8	14

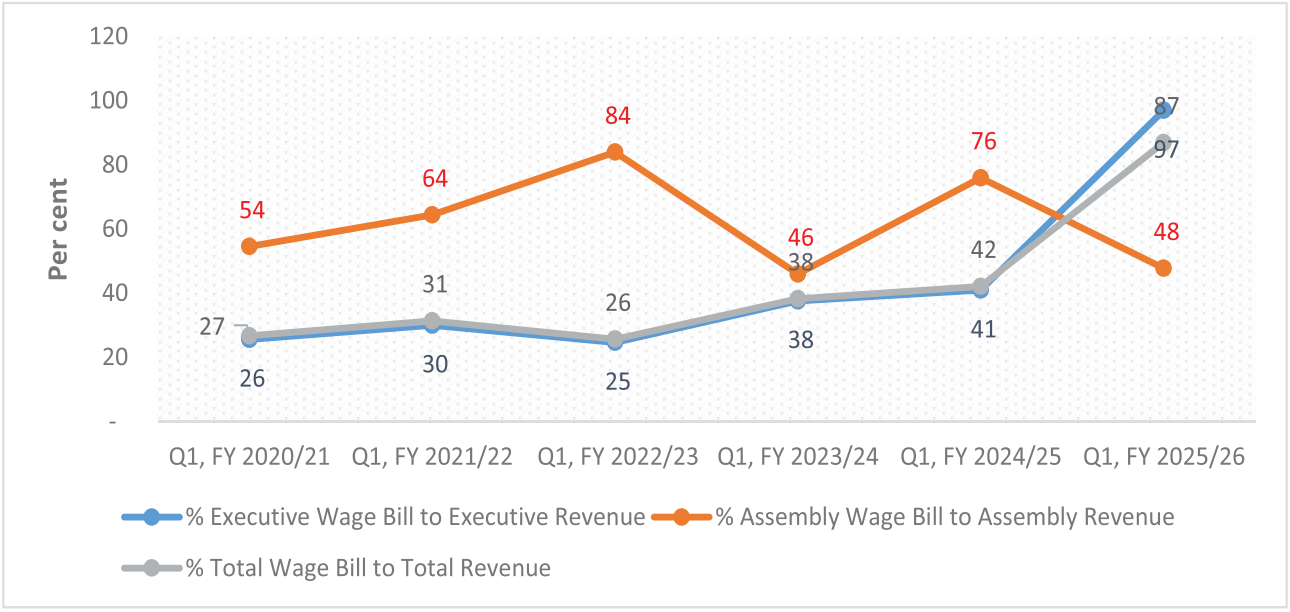
***Source**: Lamu County Treasury*

3.21.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.349.77 million. The percentage of compensation of employees to revenue was 17 per cent. This expenditure on employee compensation shows. an increase Compared to the Kshs.310.3 million reported in a similar period in FY 2024/25. Of this total, Kshs.215.74 million related to the Health Sector employees, which accounted for 62 per cent of the overall employees' compensation

Figure 121 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 121: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Lamu County Treasury

The Executive increased their wage-to-revenue allocation over the years, peaking at 97 per cent in the first quarter of FY 2025/26, which limits funding for other services. The Assembly wage-to-revenue ratio varied between 54 per cent to 48 per cent in the first quarter of the financial years under review. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis indicated that PE costs amounting to Kshs.278.89 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.70.85 million was processed through manual payroll, which accounted for 23 per cent of the total PE cost.

The manual payroll comprised salaries for 98 staff not onboarded into the Human Resource Information System (HRIS), salaries for 560 casual staff, top-up allowances for four security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.248.

Table 3.248: Breakdown of Lamu County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for 98 staff yet to be onboarded into HRIS	20,915,691.02
	Salaries for 50 casual staff	31,842,479.09
	Top-up Allowances for 4 Security Officers	265,584.00
	LAPTRUST/LAPFUND Pension Contributions	40,100.40
	Gratuity for contract staff	17,785,643.24
	Total	**70,849,497.75**

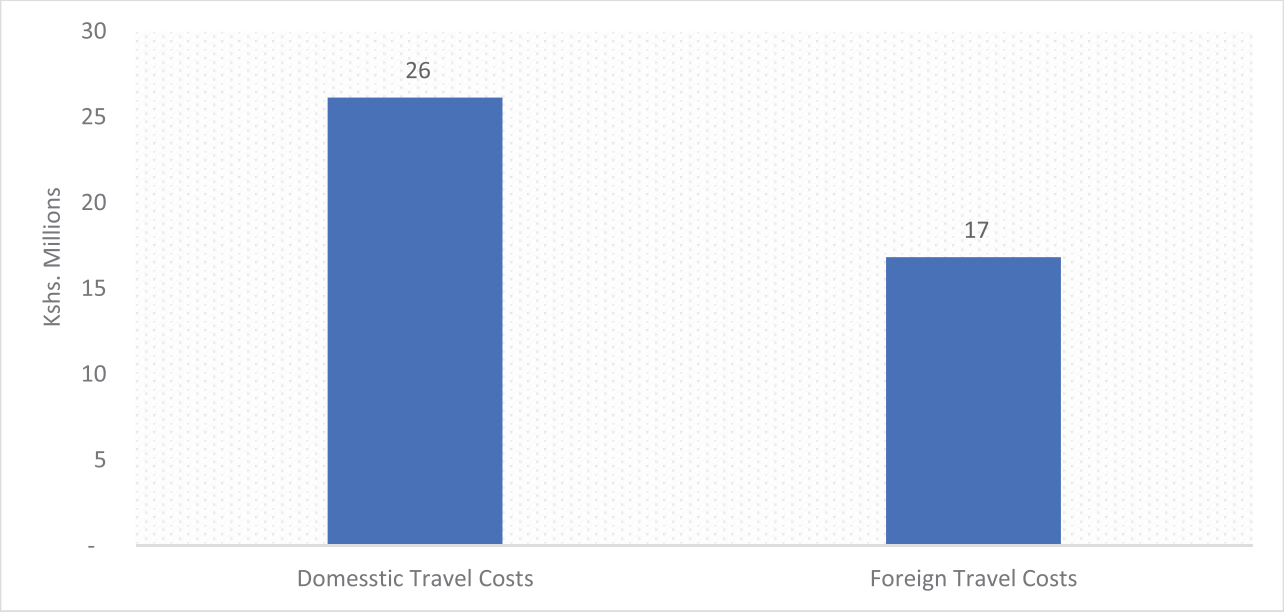
Source: Lamu County Treasury

The County Assembly spent Kshs.1.99 million on committee sitting allowances for the 19 MCAs against the annual budget allocation of Kshs.15.23 million. The average monthly sitting allowance was Kshs.34,853 per MCA. The County Assembly has 14 House Committees.

3.21.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.42.93 million on operations and maintenance, representing a decrease of 38 per cent compared to FY 2024/25, when the County spent Kshs.69.11 million. Figure 122 summarises the Operations and Maintenance expenditure by major categories.

Figure 122: Lamu County, Operations and Maintenance Expenditure by Major Categories



Source: Lamu *County Treasury*

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.115.59 million to County-Established funds in FY 2025/26, or 2 per cent of the County's overall budget. Further, the County allocated Kshs.5 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.249 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.249: Performance of Lamu County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Emergency fund		5,000,000	-	-	-	Yes
	Fisheries Revolving Fund		71,405,314	-	-	-	Yes
	Housing Fund		3,526,088	-	-	-	Yes
	Disability Fund		35,628,352	-	-	-	Yes
	Youth Fund		0	-	-	-	Yes
	Women Fund		0	-	-	-	Yes
	Total		**115,559,754**				

Source: Lamu *County Treasury*

During the reporting period, the CoB did receive quarterly financial reports from 6 Fund Administrators, as indicated in Table 3.249, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Fisheries revolving Fund had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.21.11 County Corporations

The County has one County Corporation, which was allocated Kshs.10 million in FY 2025/26. There was no expenditure incurred during the reporting period shown in Table 3.250.

Table 3.250: Performance of Lamu County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	LAWASCO	10,000,000	0	0	10,000,000
	Total	10,000,000	0	0	10,000,000

Source: *Lamu County Treasury*

3.21.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.26.12 million which was all for the County Assembly. Expenditure on foreign travel amounted to Kshs.16.81 million which was all for the County Assembly. Expenditure on foreign travel is summarised in Table 3.251.

Table 3.251: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly	29	2nd–15th and 16th -29th to August 2025	A workshop on gender mainstreaming and Institutional Effectiveness	Tanzania	16,800,020
Total					**16,800,020**

Source: *Lamu County Assembly*

3.21.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.37.91 million as FIF, which was 29 per cent of the annual target of Kshs.130 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.47 million, as shown in Table 3.252.

Table 3.252: Lamu County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	5 Level 4 Hospital	4	53,585,528	47,022,812	88
	Total		**53,585,528**	**47,022,812**	**88**

Source: *Lamu County Treasury*

3.21.14 Development Expenditure

During the review period, the County reported spending Kshs.10 million on development programmes, compared to FY 2024/25, when the County did not incur any expenditure towards development. The County reported three stalled development projects as of 30 September 2025, with an estimated value of Kshs.366.13 million, of which Kshs.183.73 has already been paid. The stalled projects are shown in Table 3.253.

Table 3.253: Lamu County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Lamu County Headquarters	Headquarters	126,823,550	55,226,562	71,596,987	75 per cent	Delay of payment by the state department of public works
Faza Sub-County Headquarters	Faza	195,219,070	106,307,170	88,911,899	70 per cent	Delay by the state Department of Public Works
Construction of the Governor's Residence	Lamu Island	44,090,374	22,197,479	21,892,894	50 per cent	Delay by the Contractor. Another contractor is being sought.
Total		**366,132,994**	**183,731,211**	182,401,780		

Source: Lamu County Treasury

3.21.15 Budget Performance by Department

Table 3.254 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.254: Lamu County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	472.74	110	82.07	-	82.07	-	100	100	17	0
County Executive and PSM	144.00	34	0	0	0	0	0	0	0	0
Finance, Economy & Strategic Planning	1905.91	-	310.63	0	310.59	0	100	0	16	0
Agriculture, Irrigation & Food Security	18	296.65	0	0	0	0	0	0	0	0
Land, Physical Planning, & Urban Development	30.5	104.25	0	0	0	0	0	0	0	0
Education, Technology, Gender, Youth Affairs, Sports & Social Services	88.5	123.25	0	10	0	10	0	100	0	8
Medical Services	242.93	103.59	0	0	0	0	0	0	0	0
Trade, Investment, Culture & Tourism	24	18	0	0	0	0	0	0	0	0

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
ICT,E-Government and Citizen Participation	12	27.53	0	0	0	0	0	0	0	0
Fisheries, Blue Economy, Livestock, Veterinary & Cooperative Development	8	54	0	0	0	0	0	0	0	0
County Public Service Board	11	-	0	0	0	0	0	0	0	0
Water Management & Energy	52	95.29	0	0	0	0	0	0	0	0
Sanitation and Environment	23	93	0	0	0	0	0	0	0	0
Budget And Economic Planning	8	-	0	0	0	0	0	0	0	0
Infrastructure and Energy		101.80	0	0	0	0	0	0	0	0
Devolution and Disaster Management	7	392.60	0	0	0	0	0	0	0	0
Total	**3,094.58**	**1,553.78**	**392.7**	**10**	**392.66**	**10**	**100**	**100**	**13**	**1**

***Source**: Lamu County Treasury*

Analysis of the expenditure by department shows that the County Assembly and the Department of Finance, whose expenditure is recurrent, and the Department of Education, which has spent 10 million on development, accounting for 1 per cent of its allocation, are the only departments that incurred expenditure. The rest of the departments did not incur any expenditure.

3.21.16 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: village polytechnics in the Department of Education at 30 per cent while the rest of the other departments did not incur any expenditure on development of their budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: administration in the Department of Finance and County Assembly, respectively, at 16 per cent of the budget allocation.

3.21.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 37 accounts in commercial banks, including 5 accounts for Health Facilities, 11 accounts for Vocational Training Centres, 8 accounts for Established Funds, 1 revenue accounts, 3 special-purpose accounts (additional allocations), 3 Water accounts, 2 salary processing account, 1 gratuity account, 1 recurrent account, 1 recurrent account and 1 imprest account

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening all commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.21.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. Low development performance in the review period as the County incurred Kshs.10 million on development activities, achieving a 1 per cent absorption rate.
ii. Regulation 197(1) (i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the 1 Fund and the Fisheries revolving Fund had lapsed, making them ineligible for further withdrawals.
iii. Use of manual payroll. Personnel emoluments amounting to Kshs.70.85 million for 98 staff not onboarded into HRIS and 60 casual staff were processed through manual payroll, accounting for 23 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
iv. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
v. The County reported revenue arrears of Kshs.223.07 million on ordinary OSR comprising of land rates arrears of Kshs.220.51 million and single/business permit of Kshs.2.56 million. These revenue arrears limited funding for County activities.
vi. The County has stalled projects valued at Kshs.366.13 million, with Kshs.183.73 million paid (50 per cent). The stalling of the projects is attributed to varying reasons, including inadequate funding.

The County should implement the following recommendations to improve budget execution:

i. *The County should implement strategies to increase development expenditures in FY 2025/26.*
ii. *The County should ensure the timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
iii. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
iv. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
v. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*
vi. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is essential to start projects only with secured funding, and to maintain a register of multi-year obligations to align projects with the budget.*

3.22. County Government of Machakos

3.22.1 Overview of FY 2025/26 Budget

The Machakos County Approved Budget for FY 2025/26 is Kshs.15.19 billion. It comprises Kshs.4.60 billion (30 per cent) and Kshs.10.60 billion (70 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.428.58 million (3 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.75 billion and a recurrent budget of Kshs.10.87 billion. The decrease in the budget was primarily attributed to the decline in conditional grants of Kshs.239.48 million, a decline in the balance brought forward of Kshs.336.83 million, and an increase in the equitable share of Kshs.112.99 million.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.10.03 billion (66 per cent), additional allocations of Kshs.1.08 billion (7 per cent), and Kshs.4.09 billion (27 per cent) to be earned as own-source revenue. A breakdown of the additional allocations is shown in Table 3.255.

3.22.2 Revenue Performance

During the first Quarter of FY 2025/26, the County earned Kshs.2.50 billion in revenue. This amount represented an increase of 30 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.92 billion. The total revenue consisted of Kshs.1.63 billion from the equitable share of revenue raised nationally, nil on additional allocations from the national government and development partners, as well as own-source revenue (OSR) collection of Kshs.442.0 million. Additionally, the County had a cash balance of Kshs.428.78 million from FY 2024/25. The total OSR collection of Kshs.442.0 million included Facilities Improvement Financing (FIF) of Kshs.37.53 million, Kshs.154.54 million from SHIF, and Kshs.249.93 million from other OSR sources. Table 3.255 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.255: Machakos County, Revenue Performance in FY 2025/26

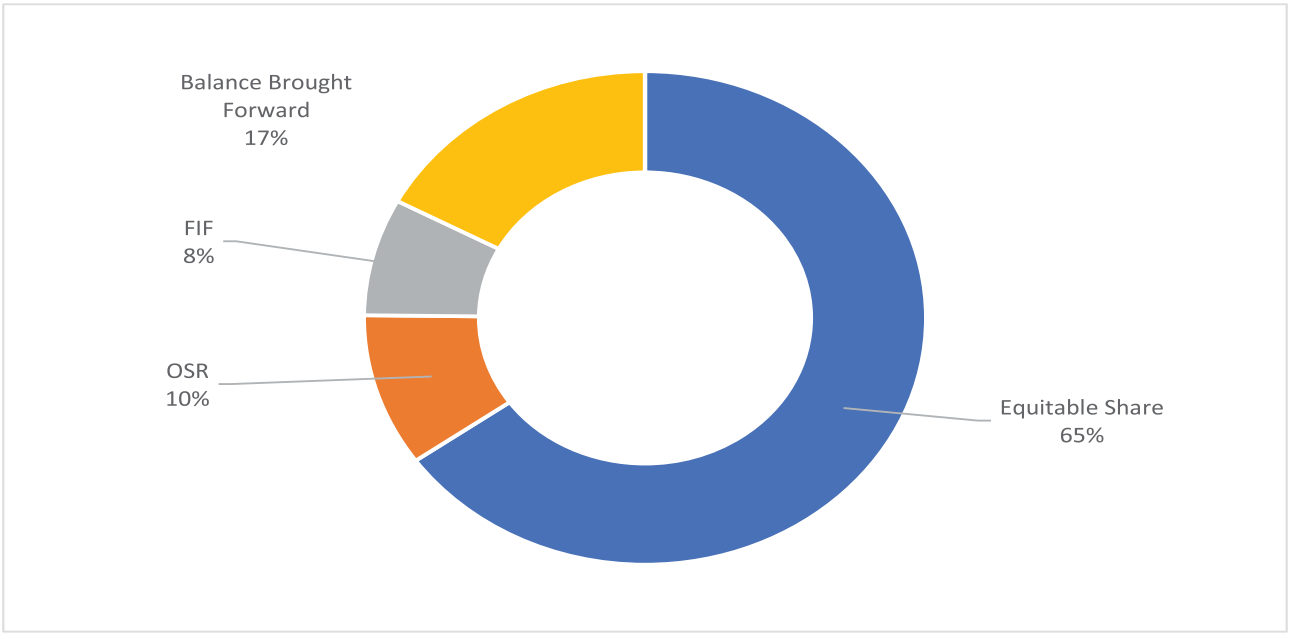
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	10,027,000,000	1,630,094,564	16
	Subtotal	**10,027,000,000**	**1,630,094,564**	**16**
B	**Equalisation Fund Disbursement**	-	-	-
	Subtotal	-	-	-
C	**Additional Allocations**			
1	Kenya Devolution Support Program II (Level 2)	352,500,000	-	-
2	IDA(World bank) National Agricultural Value Chain development Project (NAVCDP)	151,515,152	-	-
3	IDA(World bank) FLLoCA- County climate Resilience Investment Grant	137,500,000	-	-
4	Road Maintenance Fuel levy Fund	111,125,100	-	-
5	Kenya Urban Support Project (UDG)-World Bank	90,174,566	-	-
6	Community Health Promoters (CHPs)	83,250,000	-	-
7	DANIDA Grant- Primary Health care Devolved (2023/24/25/26)	43,548,750	-	-
8	Kenya Devolution Support Program II (Level 1)	37,500,000	-	-
9	Kenya Urban Institutional Project (UIG)-World Bank	35,000,000	-	-
10	Aquaculture Business Development Project (ABDP) - IFAD	12,262,438	-	-
11	IDA(World bank) FLLoCA- County climate institutional support (CCIS) Grant	11,000,000	-	-
12	County Rural & Urban Affordable Housing Committee	8,817,410	-	-
13	Court Fines	1,617,189	-	-
	Subtotal	**1,075,810,605**	-	-
D	**Ordinary Own Source Revenue (OSR)**			
1	Building Plan Approval	665,877,074	72,300,327	11
2	Quarry Extraction Fees	243,271,738	37,139,550	15
3	Land Rates & Ground Rent	590,225,445	27,653,168	5
4	Single Business Permit	477,322,506	23,139,318	5
5	Bus park	196,852,600	14,267,037	7
6	Market Fees	175,281,906	13,003,116	7
7	Cess	72,186,020	11,020,335	15
8	Sign Board & Advertisement Fee	184,645,091	9,656,307	5
9	Sand Gravel	83,273,480	9,233,200	11
10	Refuse/Conservancy Fee	47,837,156	8,103,474	17

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
11	Off-street Parking Unit	36,228,273	6,908,269	19
12	Slaughter House & Livestock Fees	38,848,756	3,797,454	9
13	Liquor	92,072,859	3,333,550	4
14	Fire Fighting & Ambulance Management Unit	50,535,823	3,163,324	6
15	Noise Pollution	6,273,484	2,032,500	32
16	Enforcement Management	20,468,142	1,948,382	10
17	Plot/Stall Rent	6,462,898	1,071,090	17
18	Motor Vehicle/Cycle Registration	8,584,878	921,250	11
19	Salary Refunds/Advances	1,387,369	387,300	28
20	House Rent	2,667,532	334,935	13
21	Water Sales (Water Bowzers, Borehole Drilling Fees)	3,806,549	188,200	5
22	Social Services	5,490,107	123,000	2
24	Weights And Measures	8,494,468	77,400	1
25	Machakos People's Park/Maruba	1,703,559	63,000	4
26	Interest & Penalties on Plot And Stall Rent	725,123	2,000	0
27	House Loan Repayment	57,094	-	-
28	Agri Farm	300,000	-	-
Subtotal		**3,020,879,928**	**249,927,356**	**8**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	-	154,538,834	-
2	Defunct NHIF	-	-	-
3	Health Revenue	1,069,895,188	37,534,543	4
Subtotal		1,069,895,188	192,073,377	18
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	-	426,422,477	-
2	County Executive Refunds to CRF	-	412,317	-
3	County Assembly Refunds to CRF	-	1,942,216	-
Subtotal		**-**	**428,777,010**	**-**
Grand Total		**15,193,585,721**	**2,500,872,308**	**16**

Source: *Machakos County Treasury*

Figure 123 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

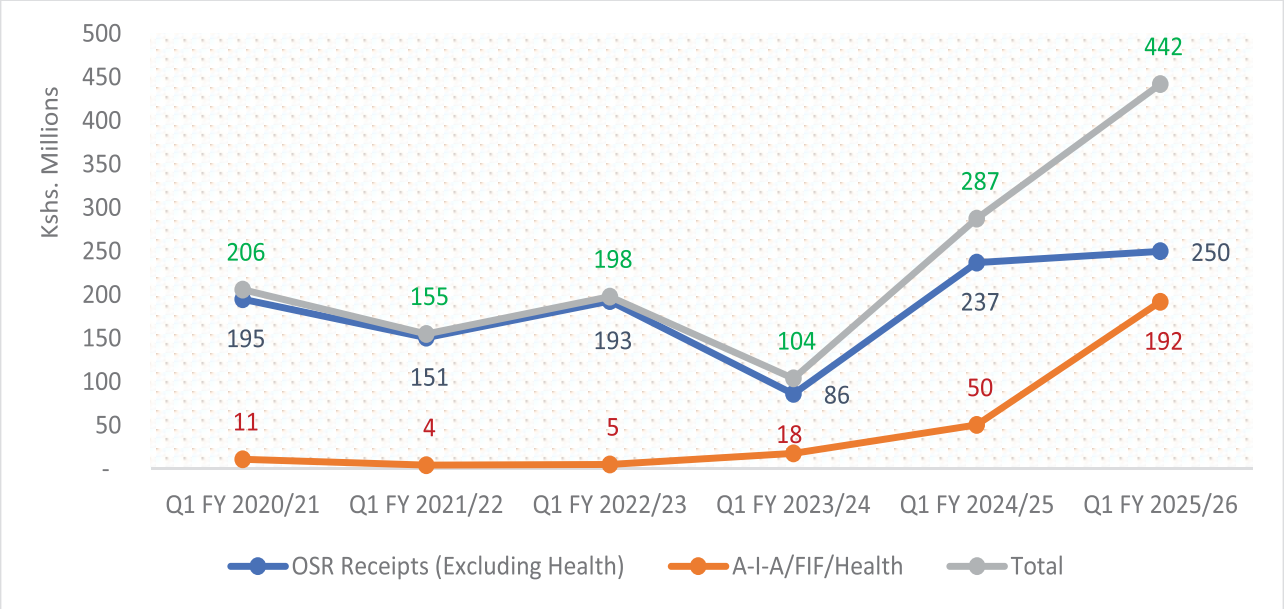
Figure 123: Machakos County Composition of Each Shilling Earned in the First Quarter of FY 2025/26



Source: *Machakos County Treasury*

The equitable share of revenue raised nationally, the balance brought forward, OSR, and FIF contributed 65 per cent, 17 per cent, 10 per cent, and 8 per cent, respectively, to total revenue for the reporting period. Figure 124 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 124: Machakos County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

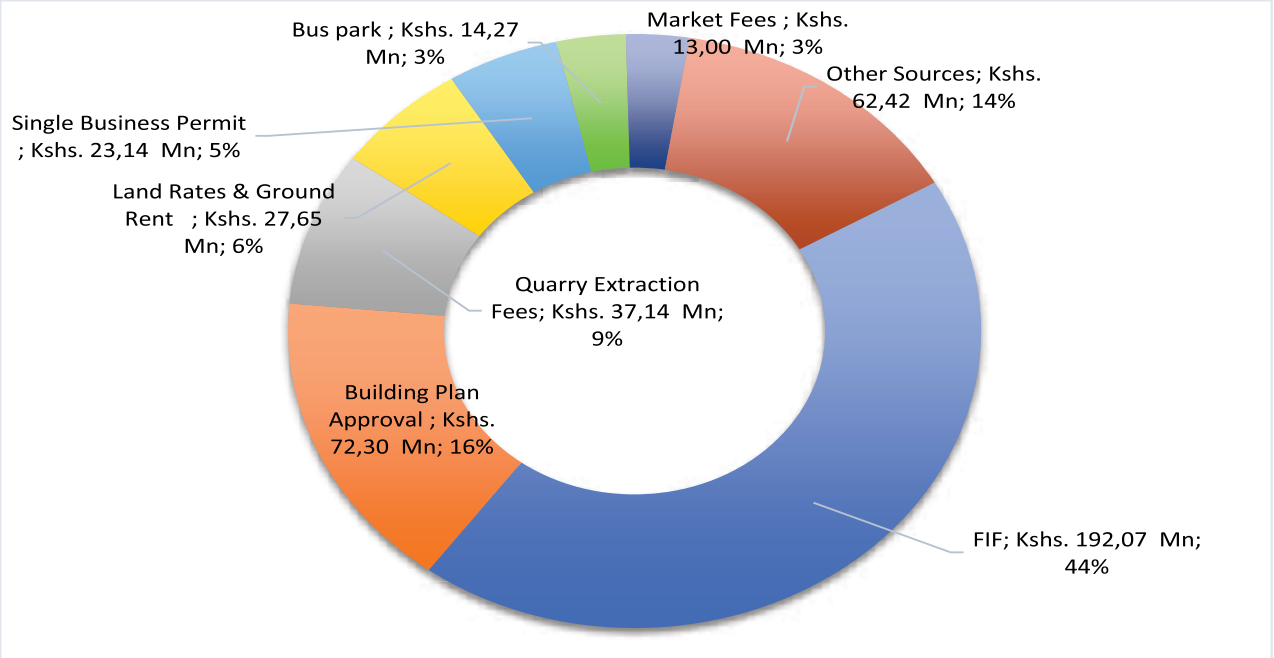


Source: *Machakos County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.442 million from its revenue sources, including FIF. This amount was an increase of 54 per cent compared to Kshs.287.42 million realised in a similar period in FY 2024/25, and was 11 per cent of the annual target and 27 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to the reimbursement of the SHA of Kshs.154 million during the period. The revenue streams which contributed the highest OSR receipts are shown in Figure 125.

Figure 125: Machakos County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Machakos County Treasury

As shown in Figure 125, the highest revenue stream, at Kshs.192.07 million, was from FIF (including the SHIF refunds), accounting for 45 per cent of the total OSR receipts. The County Government indicated that it has automated all revenue streams.

3.22.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.458.28 million, this amount was the same as of 30th September 2025. Table 3.256 presents a breakdown of the County's revenue arrears.

Table 3.256: Machakos County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Facility Improvement Fund (FIF)**					
1	SHIF	458,284,275	-	-	-	**458,284,275**
	Sub-Total	**458,284,275**	-	-	-	**458,284,275**
Total		**458,284,275**	-	-	-	**458,284,275**

Source: *Machakos County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.458.28 million, which was wholly for SHIF. The County didn't report on any measures instituted to collect the outstanding arrears in FY 2025/26.

3.22.4 Borrowing by the County

Machakos County Executive has a credit facility with KCB bank(s) totalling Kshs.544.25 million. The credit facility was used to pay August 2025 gross salary and September 2025 gross salary in the review period, attributed to delayed exchequer disbursement by the National Treasury.

3.22.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.990.41 million from the CRF account during the reporting period, which comprised only recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.923.19 million was towards employee compensation and Kshs.67.23 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 51 per cent was for domestic travel and nil for foreign travel. The domestic travel exchequer amounted to Kshs.34.55 million which was entirely for the County Assembly.

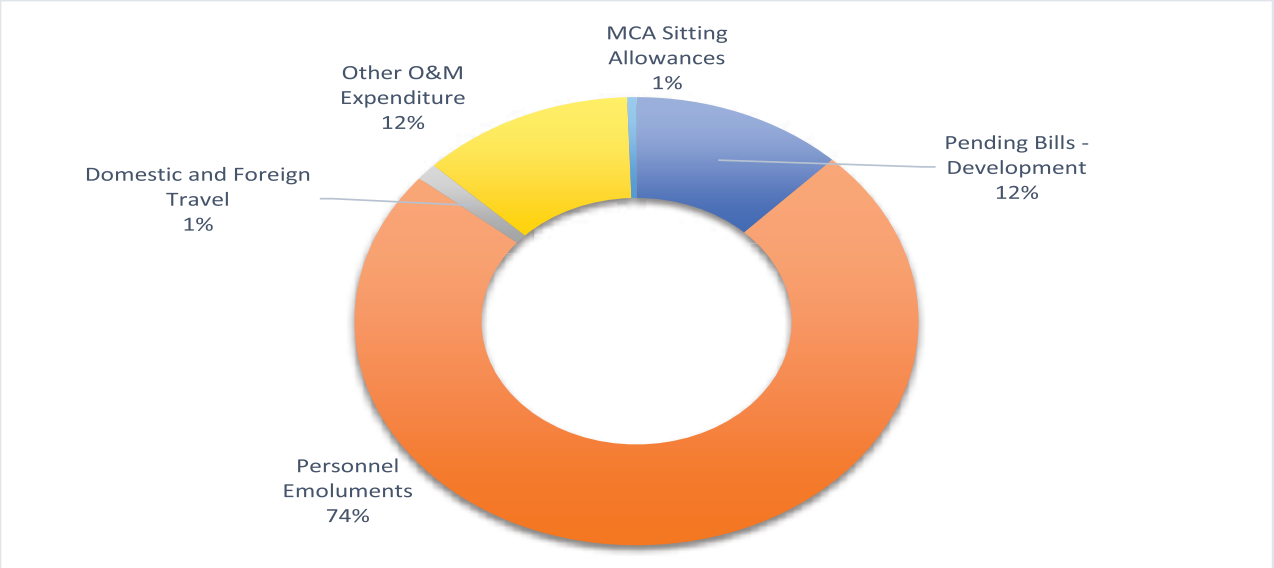
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.1.25 billion.

3.22.6 Expenditure Review

The County spent Kshs.2.07 billion on development and recurrent programmes in the reporting period. The expenditure represented 209 per cent of the total funds released by the CoB. It comprised Kshs.252.07 million for development programmes (for payment of trade payables) and Kshs.1.81 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 5 per cent, while recurrent expenditure represented 17 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 126: Machakos County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Machakos County Treasury*

As shown in Figure 126, the three highest expenditure categories were personnel emoluments, development trade payables, and other operations and maintenance contributing 74 per cent, 12 per cent and 12 per cent of total expenditure for the reporting period.

3.22.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.6.95 billion. This amount included Kshs.6.70 billion from the County Executive and Kshs.255.57 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.3.90 billion for recurrent expenditures and Kshs.2.80 billion for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.1.15 billion comprising Kshs.856.39 million (75 per cent) for recurrent programmes and Kshs.289.30 million (25 per cent) for development programmes. On the other hand, the County Assembly settled trade payables worth Kshs.14.18 million, which were exclusively for recurrent activities. The outstanding trade payables as of 30th September 2025 were Kshs.5.56 billion for the County Executive and Kshs.241.39 million for the County Assembly. Table 3.257 provides additional details of trade payables.

Table 3.257: Machakos County Trade Payables as of 30th September 2025

	Trade Payables as of 1 July 2025 (Kshs.)	Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan (Kshs.)	Actual Settled Trade Payables in the First Quarter of FY 2025/26 (Kshs.)	Outstanding trade payables as of 30 September 2025 (Kshs.)
	A	B	C	D=A-C
County Executive				
Recurrent	3,898,391,911	865,673,228	856,388,021	3,050,402,498
Development	2,800,844,481	289,301,712	289,301,712	2,512,429,368
Total	**6,699,236,392**	**1,154,974,940**	**1,145,689,733**	**5,562,831,866**
County Assembly				
Recurrent	253,629,663	19,707,944	14,180,358	239,449,305
Development	1,941,578	-	-	1941,578
Total	**255,629,664**	**19,707,944**	**14,180,358**	**241,390,883**

Source: *Machakos County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.1.15 billion and Kshs.19.71 million, respectively, in FY 2025/26. The County Executive did not adhere to this payment plan, as it didn't clear the trade payables of Kshs.9.29 million of the planned expenditure. Similarly, the

County Assembly also did not adhere to the payment plan, as it cleared Kshs.14.18 million against a requirement of Kshs.19.71 million.

Table 3.258 and Table 3.259 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.5.80 billion.

Table 3.258: Machakos County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**1,131,490,300**	**425,446,030**	**217,484,987**	**738,008,051**	**2,512,429,368**
Recurrent Trade Payables (Goods & Services)	472,243,233	540,025,447	307,574,362	1,396,655,678	2,716,498,720
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	8,398,608	-	-	325,505,170	333,903,778
Recurrent Trade Payables (Staff Claims)	-	-	-	-	-
Total Recurrent Trade Payables	**480,641,841**	**540,025,447**	**307,574,362**	**1,722,160,848**	**3,050,402,498**
Total Trade Payables	1,612,132,141	965,471,477	525,059,349	2,460,168,899	5,562,831,866
% of Total	**29**	**17**	**9**	**44**	**100**

Source: *Machakos County Treasury*

Table 3.259: Machakos County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	1,941,578	-	-	-	**1,941,578**
Recurrent Trade Payables (Goods & Services)	35,666,965	34,033,462	18,983,991	52,604,778	**141,289,196**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	2,489,933	16,000	-	-	**2,505,933**
Recurrent Trade Payables (Staff Claims)	40,512,774	31,923,527	23,217,876	-	**95,654,176**
Total Recurrent Trade Payables	**78,669,671**	**65,972,989**	**42,201,867**	**52,604,778**	**239,449,305**
Total Trade Payables	**80,611,249**	**65,972,989**	**42,201,867**	**52,604,778**	**241,390,883**
% of Total	**33**	**27**	**17**	**22**	**100**

Source: *Machakos County Treasury*

Table 3.258 and Table 3.259 show that the Executive and Assembly have 51 per cent and 39 per cent, respectively, of their payables which are over two years old. These are worrying statistics, and we advise both to adhere to FIFO when settling existing payables.

3.22.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.46 billion for compensation of employees, Kshs.251.61 million for operations and maintenance, and Kshs.252.07 million for development activities as trade payables. Similarly, the County Assembly spent Kshs.60.52 million on compensation of employees, Kshs.37.70 million on operations and maintenance, and nil on development activities, as shown in Table 3.260.

Table 3.260: Machakos County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**9,629,350,595**	**967,857,996**	**1,715,658,238**	**98,220,652**	**18**	**10**
Compensation of Employees	5,860,949,227	546,573,324	1,464,046,537	60,520,029	25	11

Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Operations and Maintenance	3,768,401,368	421,284,672	251,611,701	37,700,623	7	9
Development Expenditure	**4,441,377,130**	**155,000,000**	**252,074,171**	-	6	-
Total	**14,070,727,725**	**1,122,857,996**	**1,967,732,409**	**98,220,652**	**14**	**9**

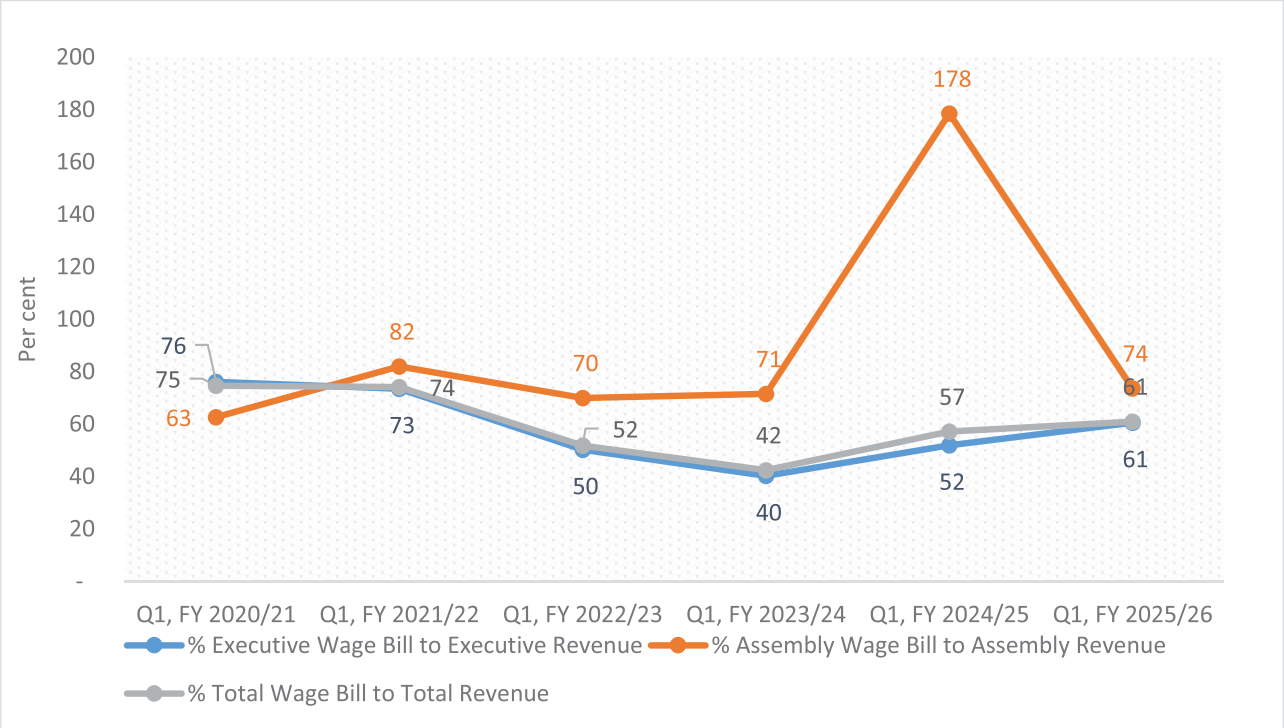
***Source**: Machakos County Treasury*

3.22.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.52 billion. The percentage of compensation to revenue for employees was 61 per cent. This expenditure on employee compensation shows. an increase compared to Kshs.1.05 billion reported in a similar period in FY 2024/25. Of this total, Kshs.839.11 million was related to Health Sector employees, accounting for 55 per cent of the overall employees' compensation.

Figure 127 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 127: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Machakos County Treasury

As shown in Figure 127, the County Executive apportioned 61 per cent of its revenue towards compensation of employees in the first quarter of FY 2025/26, while the Assembly apportioned 74 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures.

Further analysis revealed that costs amounting to Kshs.1.84 billion were processed on an accrual basis through the Human Resource Information System (HRIS). In contrast, Kshs.31.06 million was processed through manual payroll, which accounted for 2 per cent of the total PE cost.

The manual payroll comprised salaries for one non-HRIS MCA yet to be onboarded in the system, salaries for 178 ward staff not in HRIS, and three other Assembly staff, as shown in Table 3.261.

Table 3.261: Breakdown of Machakos County Manual Payroll

S/N	Description of Manual Payroll	County Executive	County Assembly	Total
1	Salaries for non-HRIS MCAs/ staff are yet to be onboarded in the system	-	1,381,077	1,381,077
2	Salaries for ward staff not in HRIS	-	13,081,971	13,081,971
3	Commissioner of Domestic Taxes-MCAS & Staff Fringe Benefit Tax	-	562,350	562,350
5	Gratuity For Contract Staff	-	616,218	616,218
6	MCAS -Reimbursement Mileage	-	6,320,887	6,320,887
7	4th and 5th CASB Members' Service Gratuity	-	269,700	269,700
8	Ward Staff Service Gratuities	-	2,263,485	2,263,485
9	MCA'S Service Gratuities	-	5,469,688	5,469,688
10	NITA LEVY	-	27,350	27,350
11	Salary advances for staff and MCAs	-	1,063,000	1,063,000
	Total	**-**	**31,055,726**	**31,055,726**

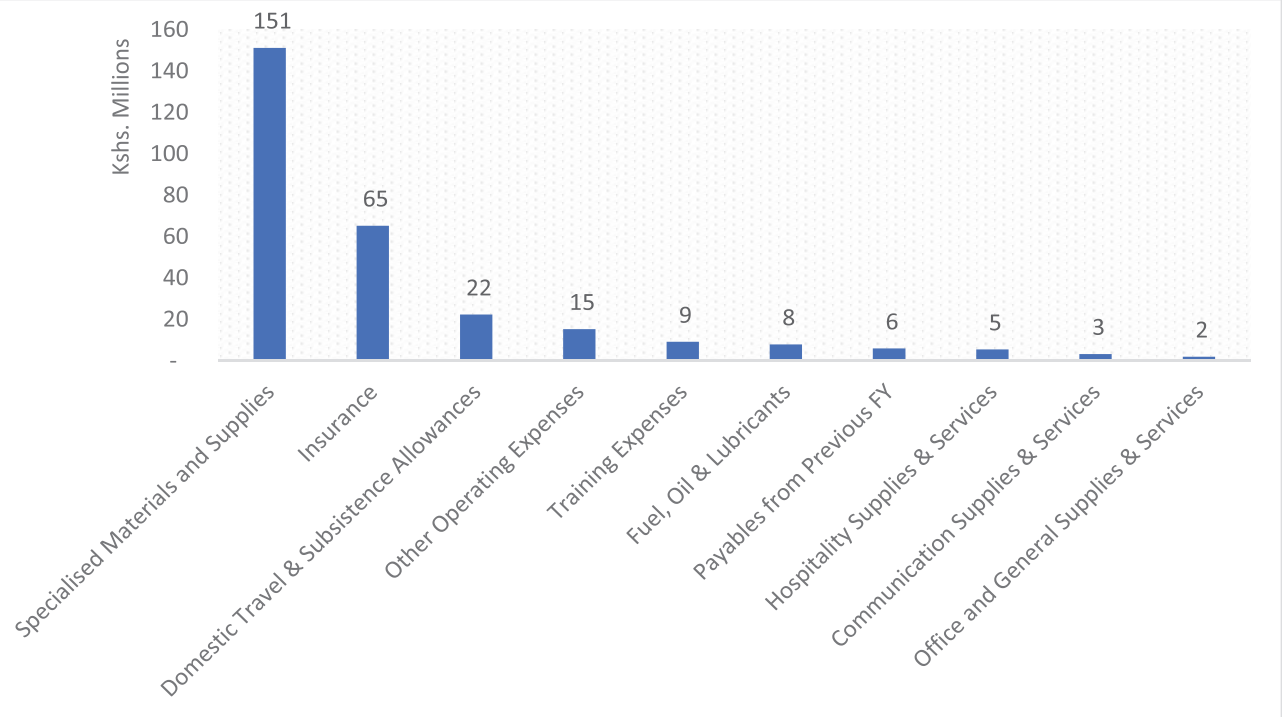
Source: Machakos County Treasury

The County Assembly spent Kshs.11 million on committee sitting allowances for the 60 MCAs against the annual budget allocation of Kshs.50 million. The average monthly sitting allowance was Kshs.55,559 per MCA. The County Assembly has 27 House Committees.

3.22.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.289.31 million on operations and maintenance, representing an increase of 24 per cent compared to FY 2024/25, when the County spent Kshs.234.14 million. Figure 128 summarises the Operations and Maintenance expenditure by major categories.

Figure 128: Machakos County, Operations and Maintenance Expenditure by Major Categories



Source: *Machakos County Treasury*

The expenditure on other operating expenses of Kshs.15.32 million includes an expenditure of Kshs.13.16 million for the Annual Governors Cup by the County Executive, Kshs.1.61 million by the County Assembly on membership dues, ward office rent and expenses, laundry services and transport costs for usage of Nairobi Expressway.

3.22.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.13.71 million under "other Operating expenses" translates to 5 per cent of the cumulative operations and maintenance expenditure of Kshs.289.31 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.262.

Table 3.262: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211399	Other Operating Expenses	45,678,902	-
2211399	Other Operating Expenses	12,965,280	-
2211399	Other Operating Expenses	8,342,156	-
2211399	Other Operating Expenses	13,315,895	-
2211399	Other Operating Expenses	12,674,328	-
2211399	Other operating expenses	661,485	-
2211399	Other Operating Expenses	8,876,531	-
2211399	Other Operating Expenses	520,000	150,000
2211399	Other Operating Expenses	749,712	400,000
2211399	Other Operating Expenses	650,000	-
2211399	Other Operating Expenses	6,234,536	-
2211399	other operating expenses	8,456,321	-
2211399	Other Operating Expenses	5,405,632	-
2211399	Other operating expenses	35,000	-
2211399	Other Operating Expenses - Others	292,093	-
2211399	Other Operating Expenses	20,105,910	-
2211399	Other Operating Expenses (KICOSCA/EALASCA)	15,000,000	-
2211399	Other Operating Expenses (Governors Cup)	50,000,000	-
2211399	Other Operating Expenses	30,000,000	13,156,000
2211399	Other Operating Expenses-Other	1,250,000	-
2211399	Other Operating Expenses-Other	7,500,000	-
2211399	Other Operating Expenses-Other(Biannual devolution conference)	8,000,000	-
2211399	Other Operating Expenses	2,000,000	-
2211399	Other Operating Expenses - Other	24,723,190	-
2211399	Other Operating Expenses - Other	14,033,200	-
2211399	Other Operating Expenses - Other (Clean up exercises municipalities)	17,593,647	-
2211399	Other Operating Expenses (Verification & validation of staff documents)	500,000	-
2211399	Other Operating Expenses - Other (Clean-up exercises in towns)	13,904,400	-
2211399	Other Operating Expenses - Other	500,000	-
2211399	Other Operating Expenses - Other	500,000	-
2211399	Other Operating Expenses - Other	1,150,000	-
	Total	**331,618,218**	**13,706,000**

Source: *Machakos County Treasury*

A review of the other expense items in the table revealed that some expenditures with clear, unique budget codes were erroneously aggregated under the "Other Operating Expenses" category. These include clean-up exercises in towns, verification and validation of staff documents, KICOSCA undergoing restructuring in line with Section 77(2) of the Water Act, 2016, making it difficult to determine their nature and map them to the correct budget codes. For example, the Governor's Cup, etc

3.22.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.413.48 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Furthermore, the County allocated Kshs.37.36 million to the Emergency Fund (0.2 per cent of the total budget) in line with

Section 110 of the PFM Act, 2012. However, the legal framework for the Emergency Fund is under development before the funds are executed. Table 3.263 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.263: Performance of Machakos County Established Funds in the First Quarter of FY 2025/26

No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements
	County Executive Established Funds						
1	Machakos County Education Bursary Fund	2014	120,000,000	-	3,547,420	800,251,016	Yes
2	Machakos County Executive Mortgage & Car Loan Scheme	2015	-	-	-	96,000,000	Yes
3	Machakos County Climate Fund	2021	282,919,728	-	1,062,727	444,329,453	Yes
4	County Assembly Established Funds						
5	Machakos County Housing & Car Loan Scheme Fund - MCA	2014	-	-	1,705,823	386,000,000	Yes
6	Machakos County Housing & Car Loan Scheme Fund - Staff	2018	10,557,558	-	-	273,000,000	Yes
	Total		**413,477,286**	**-**	**6,315,970**	**1,999,580,469**	

Source: *Machakos County Treasury*

During the reporting period, the CoB did receive quarterly financial reports from five (5) Fund Administrators, as indicated in Table 3.263, as per the requirement of Meeting 168 of the PFM Act, 2012. The County disclosed that administration costs for all the established funds were below the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, namely: Machakos Water and Sewerage Company, Mavoko Water and Sewerage Company, Matungulu/Kangundo Water Company, Kathiani Sanitation Company, and Yatta Sanitation Company, which operate independently. Assembly. In FY 2025/26, the CoB established that the lifespan of the Machakos County Education Bursary Fund, Machakos County Executive Mortgage & Car Loan Scheme, and Machakos County Housing & Car Loan Scheme Fund - MCA had lapsed. However, during the period, the County didn't submit requests for withdrawal of funds, thus CoB did not approve any requests to support the operations of the lapsed funds.

3.22.13 County Corporations

The County has five County Corporations, namely: Machakos Water and Sewerage Company, Mavoko Water and Sewerage Company, Matungulu/Kangundo Water Company, Kathiani Sanitation Company, and Yatta Sanitation Company, which operate independently . The Corporations didn't receive an exchequer from the County Treasury, nor did they submit financial reports to the County Treasury.

However, the five Corporations are under restructuring in line with Section 77 (2) of the Water Act, 2016, requiring compliance with the standards of commercial viability set out by the Regulatory Board when establishing a water service provider.

3.22.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.22.32 million which was exclusively for the County Assembly. The County Executive did not report any expenditure on domestic travel. Expenditure on foreign travel amounted to Kshs.3.10 million for the County Assembly, both as trade payables and current year expenses, whereas the County Executive spent nil. Of the Kshs.3.10 million spent by the County Assembly Kshs.1.90 million was for the trade payables whereas Kshs.1.20 million was for the current financial year. Expenditure on foreign travel is summarised in Table 3.264.

Table 3.264: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	No. of Officers Travelled	The contractor	Purpose of the travel	Destination	Total Costs of the Travel (Kshs.)
County Assembly	2	26th July-3rd August 2025	Progressive and Transformative Public Service Leadership and Management Symposium Module	Birmingham City, UK	1,196,280
County Assembly	7	2nd-8th July,2024 (Trade Payables)	Workshop on Legal and Legislative Drafting organised by the LSK for CASB members.	Arusha, Tanzania	50,000
County Assembly	5	9th-16th March, 2025 (Trade Payables)	A Capacity Building Tour on Leadership and Financial Management	EALA, Tanzania	1,302,716
County Assembly	1	2nd-9th February, 2025 (Trade Payables)	A Capacity Building and Study Tour	EALA, Tanzania	324,912
County Assembly	6	15th-22nd December, 2024 (Trade Payables)	The 19th Annual Meeting of the Internet Governance Forum	Riyadh, Saudi Arabia	225,330
Total					**3,099,239**

Source: Machakos County Treasury and Machakos County Assembly

3.22.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.442.0 million as FIF (inclusive of SHIF of Kshs.154.54 million), which was 41 per cent of the annual target of Kshs.1.07 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.171.84 million, as shown in Table 3.265.

Table 3.265: Machakos County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	153,094,680	93,023,304	61
2.	Level 4 Hospital	10	493,686,276	116,292,940	24
3.	Level 2 & 3 Facility	212	325,477,500	55,544,645	17
	Total		**493,686,276**	**264,860,889**	**54**

Source: *Machakos County Treasury*

3.22.16 Development Expenditure

In the review period, the County reported spending Kshs.252.07 million on development programmes; essentially on trade payables, representing an increase of 30 per cent compared to FY 2024/25, when the County spent Kshs.193.93 million. Table 3.266 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to the payment of trade payables as a first charge, in accordance with best practice in financial management.

Table 3.266: Machakos County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	Finance	Payables from Previous Financial Period - Trade Payables	Countywide	Several	333,199,718	82,180,654	82,180,654	25
	Roads	Mlolongo – Gossip – Police Road (Phased) 4.3 kms	Mlolongo/ Syokimau	30/06/27	326,815,930	59,727,617	141,387,750	34
	Health	Proposed Construction of New Level 5 Specialist Hospital	Machakos Central	June 2028	1,495,000,000	42,622,931	188,282,646	20
	Roads	Katangi – Kinyaata – Kithimani Road (Phased) 5 kms	Katangi, Ikombe, Kithimani Yatta	30/06/26	244,514,716	25,645,531	180,551,984	89
	Agriculture	Katangi – Kinyaata – Kithimani Road	Katangi,Ikombe, Kithimani Yatta	30.06.26	244,514,716	25,645,531	180,551,984	89
	Agriculture	Purchase of Animals and Breeding Stock - Fingerlings	All wards	30/06/25	16,100,000	9,000,000	9,000,000	60
	Roads	Kathalani – Kaviani Road (Phased) 3.2 km	Upper Kaewa	30/06/25	154,580,347	5,199,680	153,680,400	100

Source: *Machakos County Treasury*

The County reported 54 stalled development projects as of 30 September 2025, with an estimated value of Kshs.1.13 billion, of which Kshs.314.26 million has already been paid. The County has revived six projects out of the 54 stalled projects. The first three projects were initiated before devolution; therefore, the contract/procurement files cannot be traced, and no estimated value is available for these projects. The stalled projects are shown in Table 3.267.

Table 3.267: Machakos County Stalled Projects as of 30 September 2025

Project Name	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	% of Completion Before Stalling	Reason for Project Stalling
Construction of the Agriculture Office block	-	-		60%	The contractor abandoned the site, and the contract expired.
Construction of the Agriculture Office block	-	-		60%	The contractor abandoned the site, and the contract expired.
Construction of Livestock Offices	-	-		60%	The contractor abandoned the site, and the contract expired.
Proposed Construction of Kithimani Community Hospital	11,495,280	11,254,296	240,984	85%	Phase I Complete as per scope in BQs
Proposed Construction of Kikesa Community Hospital	12,561,865	-	12,561,865	50%	Initial Contract terminated
Proposed Construction of Kalama Community Hospital	11,662,574	7,207,781	4,454,793	70%	The contractor abandoned the site, and the contract expired
Proposed Construction of Wamunyu Community Hospital	8,000,100	-	8,000,100	40%	Initial Contract terminated
Proposed Construction of Kawauni Community Hospital	10,841,775	-	10,841,775	10%	Initial Contract Terminated
Proposed Construction of Kaviani Community Hospital	13,810,700	4,920,360	8,890,340	40%	Phase I Complete as per scope in BQs
Proposed Construction of Wondeni Community Hospital	17,187,625	-	17,187,625	5%	Initial Contract Terminated
Proposed Construction of Mua Community Hospital	11,527,260	9,599,838	1,927,422	80%	Initial Contract terminated
Completion of works at Mumbuni Dispensary/Kwa Musyoka.	1,900,000	-	1,900,000	60%	The contractor abandoned the site, and the contract expired
Market shed/Kithimani	4,676,401	-	4,676,401	70%	The contractor abandoned the site, and the contract expired
Market shed/Ikombe	4,676,401	-	4,676,401	70%	The contractor abandoned the site and the contract expired
Market Shed/Matuu	9,609,226	-	9,609,226	40%	Contractor abandoned the site, and the contract expired
Market shed/Kangundo	5,765,454	-	5,765,454	40%	The contractor abandoned the site, and the contract expired

Project Name	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	% of Comple-tion Before Stalling	Reason for Project Stalling
Market shed/Kiatinene	4,680,676	-	4,680,676	60%	The contractor abandoned the site, and the contract expired
Market shed/Masinga	4,888,153	-	4,888,153	40%	The contractor abandoned the site, and the contract expired
Market shed/Kivani	4,727,906	-	4,727,906	70%	The contractor abandoned the site, and the contract expired
Construction of Machawood Offices at Machawood Studios in Mikuyu/ Vota Village	39,740,747	-	39,740,747	15%	The contractor abandoned the site, and the contract expired
Construction of the Machawood Go-down at Machawood Studios in Mikyuy/Vota Village	23,414,204	-	23,414,204	15%	The contractor abandoned the site, and the contract expired
Construction of office block/ Mavoko Offices	17,500,000	-	17,500,000	80%	Contract terminated
PROPOSED CONSTRUCTION OF COMMERCIAL DEVELOPMENT (MIXED USE) Two 50m long blocks with a walkway boulevard between them. Lettable spaces with wash-rooms on each block	55,495,944	5,374,310	50,121,634	10%	Stalled due to the contractor's non-per-formance of the contract - Contract terminated
Proposed construction of a commu-nity recreation centre	55,435,741	5,804,115	49,631,626	11%	Stalled due to the contractor's non-per-formance of the contract - Contract terminated
Construction of a public facility area comprising a swimming pool, a toilet, changing rooms, and a public beach	37,585,666	26,276,860	11,308,806	70%	Stalled due to the contractor's non-per-formance of the contract
Office block 12-storey	394,999,999	41,407,638	353,592,361	10%	Stalled due to the contractor's non-per-formance of the contract - Contract terminated
Proposed Construction of Kwa Mwatu Community Hospital	10,815,705	6,721,175	4,094,530	60%	The contractor abandoned the site, and the contract expired
Proposed Construction of Mwala Community Hospital (Kitchen & Laundry)	12,584,725	10,052,275	2,532,450	80%	The contractor abandoned the site, and the contract expired
Proposed Construction of Kyeleni Community Hospital	7,889,922	5,734,577	2,155,346	70%	The contractor abandoned the site, and the contract expired
Proposed Construction of Ngiini Community Hospital	10,764,550	5,374,560	5,389,990	50%	The contractor abandoned the site, and the contract expired
Proposed Construction of Kamulu Drumville Community Hospital	13,001,100	9,395,715	3,605,385	80%	Phase I Complete as per scope in BQs
Construction of the Masii Market shed	1,715,631	-	1,715,631	80%	The contractor abandoned the site, and the contract expired
Construction of the Kithyoko Mar-ket shed	2,119,834	-	2,119,834	80%	The contractor abandoned the site, and the contract expired
Construction of the Katangi Market shed	1,837,201	-	1,837,201	80%	The contractor abandoned the site, and the contract expired
Construction of Kisukioni Market Shed	300,325	-	300,325	80%	The contractor abandoned the site, and the contract expired
Partitioning of Mavoko offices	2,165,536	-	2,165,536	80%	The contractor abandoned the site, and the contract expired
Construction of Muumandu Market shed	2,783,408	-	2,783,408	80%	The contractor abandoned the site, and the contract expired
Construction of the Katulye Market shed	2,865,072	-	2,865,072	80%	The contractor abandoned the site, and the contract expired
Mumbuni earth dam; Excavation works, treatment works, storage tanks and water distribution pipeline	75,156,480	68,414,880	6,741,600	91%	The contractor abandoned the site at 91% completion, and the contract was terminated and reawarded to a new contractor in the subsequent fiscal year, but the contractor failed to mobilise to the site.
Design & Build Mavoko Stadium	44,616,639	8,741,147	35,875,492	5%	Stalled due to contractors Non- Perfo-mamnce of the contract
Design & Build Ikombe Stadium	49,740,000	38,684,000	11,056,000	98%	Kes. 10,946,000 final certificate raised by contractor pending payment
Construction of St. Francis Misyani ECDE	980,454	-	980,454	80%	The contractor abandoned the site, and the contract expired

Project Name	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	% of Comple-tion Before Stalling	Reason for Project Stalling
Construction of Kyandu ECDE	980,454	-	980,454	80%	The contractor abandoned the site, and the contract expired
Construction of Matetani ECDE	980,454	-	980,454	80%	The contractor abandoned the site, and the contract expired
Construction of twin workshop at Kithaayoni VTC	-	-	-	45%	This is the only stalled project for the VTC Dept. To this end, no contract documents are available. Contractor abandoned the site, and the contract expired-
Design & Build Kinyui Stadium	49,740,000	36,710,135	13,029,865	50%	Stalled due to the contractor's non-performance of the contract and subsequently terminated by the user Department.
Design & Build Masii Stadium	49,045,478	-	49,045,478	5%	Kes. 4,705,280.00 certificate raised by contractor pending payment. The project stalled due to the contractor's non-performance under the contract.
Proposed Construction of Kisiiki Community Hospital	4,998,500	2,798,500	2,200,000	60%	The contractor abandoned the site, and the contract expired
Construction of Ielanthi ECDE	999,989	250,000	749,989	60%	The contractor abandoned the site, and the contract expired
Construc:ion of Mwatungo ECDE	999,989	300,000	699,989	60%	The contractor abandoned the site, and the contract expired
Construction of Kwamavui ECDE	999,989	-	999,989	20%	The contractor pulled out because of financial constraints
Muthetheni treatment works; Construction of treatment works, solar panel	8,259,875	3,940,000	4,319,875	90%	The contractor abandoned the site, and the contract was terminated
Lumbwa Treatment Works; Construction of treatment works	10,000,000	5,300,000	4,700,000	90%	The contractor abandoned the site, and the contract was terminated
Proposed Renovation and Completion Works at Ikaatini Dispensary	3,540,262	-	3,540,262	5%	The contractor abandoned the site, and the contract expired
	1,132,065,269	**314,262,162**	**817,803,107**		

Source: *Machakos* County Treasury

3.22.17 Budget Performance by Department

Table 3.268 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.268: Machakos County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure / Exchequer (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	784.11	22.93	28.18	-	86.57	-	307	-	11	-
County Public Service Board	43.28	7.40	7.64	-	9.24	-	121	-	21	-
Roads, Transport and Public Works	26.,88	1,158.94	28.24	-	37.0	90.57	131	-	14	8
County Assembly	967.86	155.00	82.27	-	98.22	-	119	-	10	-
Agriculture, Food Security and Co-operative Development	250.19	329.29	28.24	-	24.04	8.95	85	-	10	3
Health Services & Emergency Services	4,201.91	521.25	519.36	-	948.73	42.62	183	-	23	8
Water, Irrigation, Environment and Climate Change	140.72	657.05	33.04	-	21.47	37.19	65	-	15	6
Finance, Economic Planning & Revenue Management	1,211.6	537.15	108.49	-	151.16	72.74	139	-	13	14
Gender, Youth, Sports & Social Welfare	209.02	282.86	29.69	-	22.06	-	74	-	11	-

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure / Exchequer (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Industry, Tourism & Innovation	169.40	152.03	19.91	-	8.69	-	44	-	5	-
Education	805.62	107.20	70.12	-	170.41	-	243	-	21	-
Lands, Urban Development, Housing & Energy	262.13	231.23	20.81	-	35.21	-	169	-	13	-
Devolution	1,225.45	430.34	11.91	-	199.70	-	1,677	-	16	-
Office of the County Attorney	59.05	3.70	2.50	-	1.38	-	55	-	2	-
	10,597.21	**4,596.38**	**990.41**	**-**	**1,813.98**	**252.07**	**183**	**-**	**17**	**5**

Source: *Machakos County Treasury*

Analysis of expenditure by departments shows that the Department of Finance, Economic Planning and Revenue Management recorded the highest absorption rate of development budget at 14 per cent on payment of trade payables, followed by the Department of Health Services and Emergency Services and the Department of Roads, Transport and Public Works, both at 8 per cent. The Department of Health Services and Emergency Services had the highest percentage of recurrent expenditure to budget at 23 per cent, while the Department of the Office of the County Attorney had the lowest at 2 per cent.

3.22.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Fisheries development in the Department of Agriculture, Food Security and Co-operative Development at 27 per cent, Accounting Services in the Department of Finance, Economic Planning & Revenue Management at 21 per cent, and General Administration and Support Services in the department of Health Services at 15 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Kangundo Level 4 and Kimiti level 4 in the Department of Health services at 33 per cent, Governors Deliver Unit in the Department of Finance, Economic Planning & Revenue Management at 33 per cent, and County Electrification in the Department of Lands, Urban Development, Housing & Energy at 33 per cent of the budget allocation.

3.22.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 267 accounts in commercial banks, including 202 accounts for Health Facilities, 26 accounts for Vocational Training Centres, eight accounts for Established Funds, four revenue accounts, 21 special-purpose commercial accounts (additional allocations), 2 special purpose empowerment commercial accounts, and 4 salary processing commercial accounts.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 241 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.22.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 28th October, 2025.
ii. The under-performance of own-source revenue at Kshs.442.0 million against an annual target of Kshs.4.09 billion, representing 11 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Kshs.252.07 million on development activities, achieving a 5 per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the **the** Machakos County Education Bursary Fund, Machakos County Executive Mortgage & Car Loan Scheme, and Machakos County Housing & Car Loan Scheme Fund - MCA had lapsed, making them ineligible for further withdrawals.
v. High level of trade payables, which amounted to Kshs.5.82 billion as of 30 September 2025. Further, the County Treasury failed to adhere to the payment plan for trade payables .
vi. Use of manual payroll. Personnel emoluments amounting to Kshs.31.06 million for 1 MCA staff member not onboarded into HRIS, and 178 ward casual staff processed through manual payroll, accounting for 2 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
viii. The County reported expenditure of Kshs.13.71 million under "*other operating expenses,*" accounting for 11 per cent of total operation and maintenance costs. The review revealed that this category was misused to record items with specific budget codes, distorting the cost structure, reducing financial transparency, and weakening accountability in public fund management.
ix. The County reported revenue arrears of Kshs.458.28 million primarily on FIF(SHIF). These revenue arrears limited funding for County activities.
x. The County has stalled projects valued at Kshs.1.13 billion, with Kshs.314.26 million paid (28 per cent). The stalling of the projects was attributed to various reasons, including the contractor abandoning the site.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vi. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
viii. *The County Treasury should adhere to the approved budget classification framework by ensuring that all expenditures are recorded under their specific budget codes rather than being aggregated under the "Other Operating Expenses" category.*
ix. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*
x. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is*

essential to start projects only with secured funding, and to maintain a register of multi-year obligations to align projects with the budget.

3.23. County Government of Makueni

3.23.1 Overview of FY 2025/26 Budget

The Makueni County Approved Budget for FY 2025/26 is Kshs.11.58 billion. It comprises Kshs.3.93 billion (34 per cent) and Kshs.7.61 billion (66 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.38.10 million (0.33 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.68 billion and a recurrent budget of Kshs.7.90 billion.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue received nationally of Kshs.8.87 billion (77 per cent), additional allocations of Kshs.1.18 million (10 per cent), and Kshs.1.50 billion (13 per cent) received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.269.

3.23.2 Revenue Performance

During the first Quarter of FY 2025/26, the County receivedKshs.2.25 billion in revenue. This amount represented an increase of 28 per cent compared to the amount receivedin a similar period in FY 2024/25 of Kshs.1.63 billion. The total revenue consisted of Kshs.1.44 billion from the equitable share of revenue receivednationally and the own-source revenue (OSR) collection of Kshs.240.05 million. Additionally, the County had a cash balance of Kshs.568.07 million from FY 2024/25. The total OSR collection was Kshs.240.05 million, which included Facilities Improvement Financing (FIF) of Kshs.170.14 million, and Kshs.5.45 million from other OSR sources. Table 3.269 summarises the total revenue receivedto the County Government during FY 2025/26.

Table 3.269: Makueni County, Revenue Performance in FY 2025/26

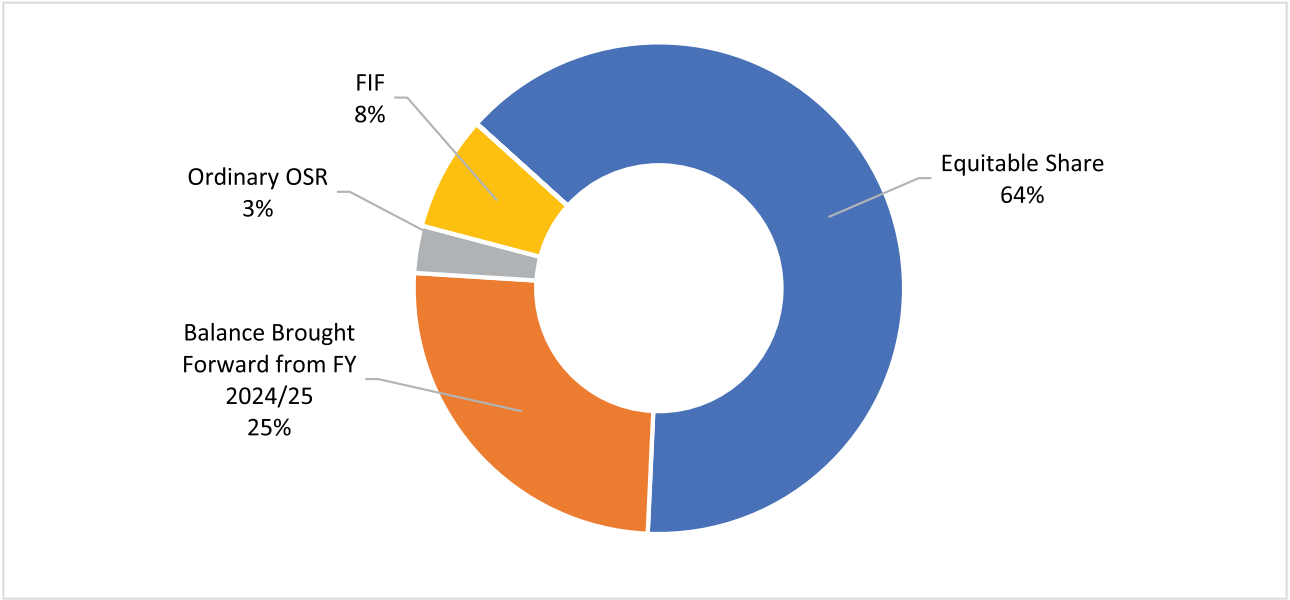
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	**8,866,423,364**	**1,440,378,070**	**16**
	Subtotal			
B	**Equalisation Fund Disbursement**	-	-	-
	Subtotal			
C	**Additional Allocations**			
1	IDA(World Bank) Credit National Agricultural Value Chain Development Project(NAVCDP)	231,250,000	-	-
2	SWEDEN -Kenya Agricultural Business Development Project (KABDP)	10,918,919	-	-
3	IDA(World Bank)-Second Kenya Devolution Support Program-Institutional Grant-Level 1 Grant((KDSP)	37,500,000	-	-
4	IDA(World Bank)-Second Kenya Devolution Support Program-Service Delivery and Investment Grant-(Level 2 Grant)((KDSP)	352,500,000	-	-
5	Roads Maintenance Levy Fund (RMLF)	146,891,738	-	-
6	Community Health Promoters (CHPs) Project	113,700,000	-	-
7	Doctor Salary Arrears	30,568,273	-	-
8	DANIDA- Primary healthcare in a devolved context	23,341,500	-	-
9	Urban Institutional Grant (UIG) - World Bank	35,000,000	-	-
10	IDA (World Bank) Credit Financing Locally-Led Climate Action (FLLoCA) Program, County Climate Institutional Support (CCIS) Grant	11,000,000	-	-
11	Allocation for 20% Share of Mineral Royalties	99,857	-	-
12	IDA (World Bank Credit: Kenya Urban Support Project(KUSP)- Urban Development Grant (UDG)	40,167,542	-	-

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual revenue as Percentage of Budget Allocation (%)
13	IDA (World Bank) Credit Financing Locally-Led Climate Action (FLLoCA) Program, County Climate Resilience Investment (CCRI) Grant	142,746,435	-	-
	Subtotal	**1,175,684,263**	-	-
D	**Ordinary Own Source Revenue (OSR)**			
1	Sand Authority Fees	55,100,000	9,100,911	17
2	Single Business Permits /Application Fees	176,000,000	8,140,305	5
3	Market Entrance Fees	50,000,000	6,378,490	13
4	Agricultural Cess Fees	21,600,000	6,046,310	28
5	Parking Fees	51,510,000	5,013,434	10
6	Development Approvals Fees (all land development fees	50,000,000	4,732,438	9
7	Liquor License Fees	73,850,000	4,154,395	6
8	Plot Rates/Rent Fees & other dues	100,450,000	3,243,333	3
9	Other Ordinary OSR	221,490,000	17,646,602	8
	Subtotal	**800,000,000**	**64,456,218**	8
E	**Facility Improvement Fund (FIF)**			
1	SHIF	517,612,000	108,723,894	21
2	Medical Health Services Fees	182,388,000	61,400,937	34
	Subtotal	**700,000,000**	**170,124,831**	24
F	**Other AIAs**			
1	Universal Health Care Registration Fees	-	14,000	-
	Subtotal	-	14,000	-
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	-	567,968,506	-
2	County Executive Refunds to CRF	-	25,494	-
3	County Assembly Refunds to CRF	-	73,112	-
	Subtotal	-	**568,067,112**	-
H	**Other Sources of Revenue**			
1	Customer deposits	-	5,450,784	-
	Sub-Total	-	**5,450,784**	-
Grand Total		**11,542,107,627**	**2,248,491,015**	**19**

Source: *Makueni County Treasury*

Figure 129 provides a detailed breakdown of receipts, showing a breakdown of each shilling earned.

Figure 129: Makueni County Composition of Each Shilling Receivedin the First Quarter of FY 2025/26

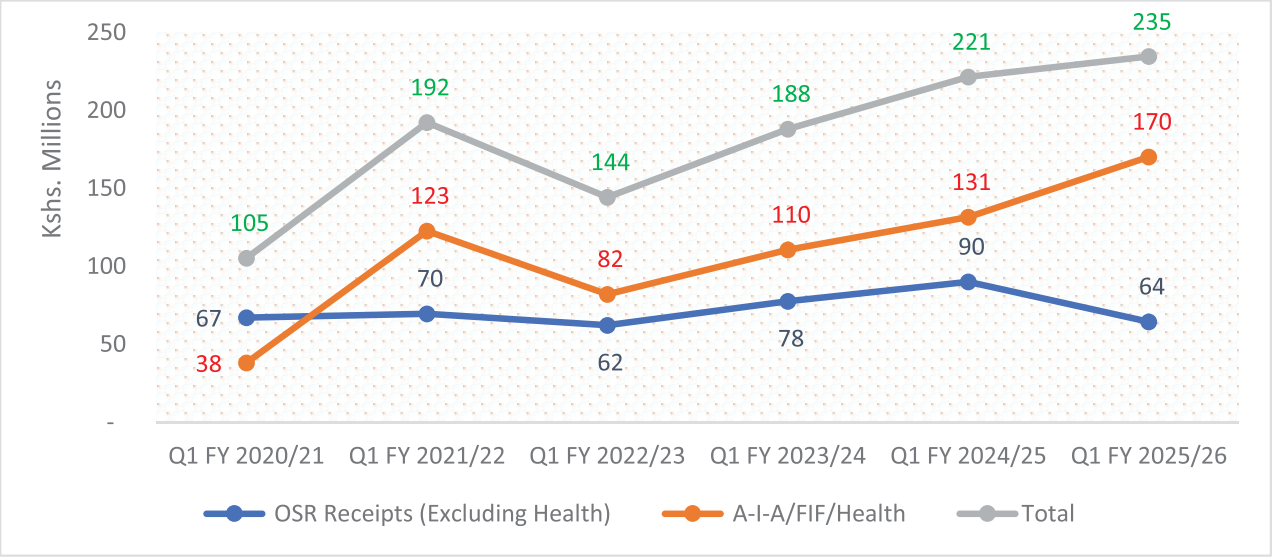


Source: *Makueni County Treasury*

The equitable share of revenue received nationally, balance brought forward, and OSR contributed 64 per cent, 25 per cent and 3 per cent, respectively, of the total revenue for the reporting period.

Figure 130 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

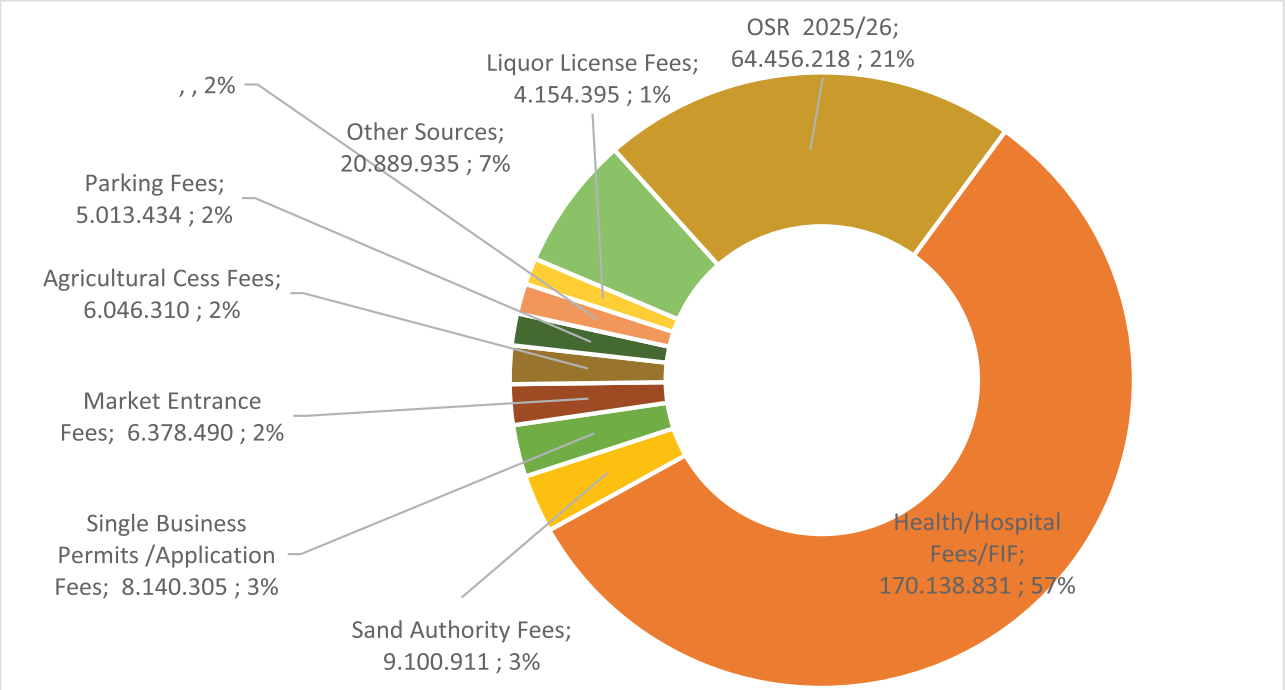
Figure 130: Makueni County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Makueni County Treasury*

During the First Quarter of FY 2025/26, the County receivedKshs.234.60 million from its revenue sources, including FIF. This amount represented a 6 per cent increase compared to Kshs.221.41 million realised in a similar period in FY 2024/25, and accounted for 16 per cent of the annual target and 16 per cent of the equitable revenue share disbursed. The revenue streams which contributed the highest OSR revenues are shown in Figure 131.

Figure 131: Makueni County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Makueni County Treasury

As shown in Figure 131, the highest revenue stream, at Kshs.170.14 million, was from Health/ FIF, accounting for 57 per cent of the total OSR receipts. The County Government indicated that it has automated all revenue streams, including Revenue Arrears.

As of 1st July 2025, the County reported receivables of Kshs.Kshs.744.10 million as of 30th September 2025. The amount decreased from Kshs.749.61 million, reported in 1st July 2025. Table 3.270 presents a breakdown of the County's receivables.

Table 3.270: Makueni County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			OSR Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears paid in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Ordinary Own Sources of Revenue**					-
1	Plot rates	598,699,359		1,730,466		596,968,893
2	Single Business Permit	138,486,400		4,799,600	342,400	134,029,200
3	Stall rent	12,425,300		1,196,900	1,878,500	13,106,900
	Total	**749,611,059**	**-**	**7,726,966**	**2,220,900**	**744,104,993**

Source: Makueni *County Treasury*

As of 30 September 2025, the revenue arrears totalled Kshs.744.10 million, comprising Kshs.596.97 million for Plot rates (80 per cent), Kshs.134.03 million for Single permits (18 per cent) and Kshs.13.11 million for Stalls rent (2 per cent).

3.23.3 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.32 billion from the CRF account during the reporting period, which comprised Kshs.15.20 million (1 per cent) for development programmes and Kshs.1.31 billion (99 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.17 billion was towards employee compensation and Kshs.138.74 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 17 per cent was for domestic travel. The domestic travel exchequer provided by the County Executive amounted to Kshs.23.16 million, while the County Assembly did not receive any exchequer allocation for domestic travel. There was no foreign travel activity by either the County Executive or the County Assembly in the first quarter of FY 2025/26.

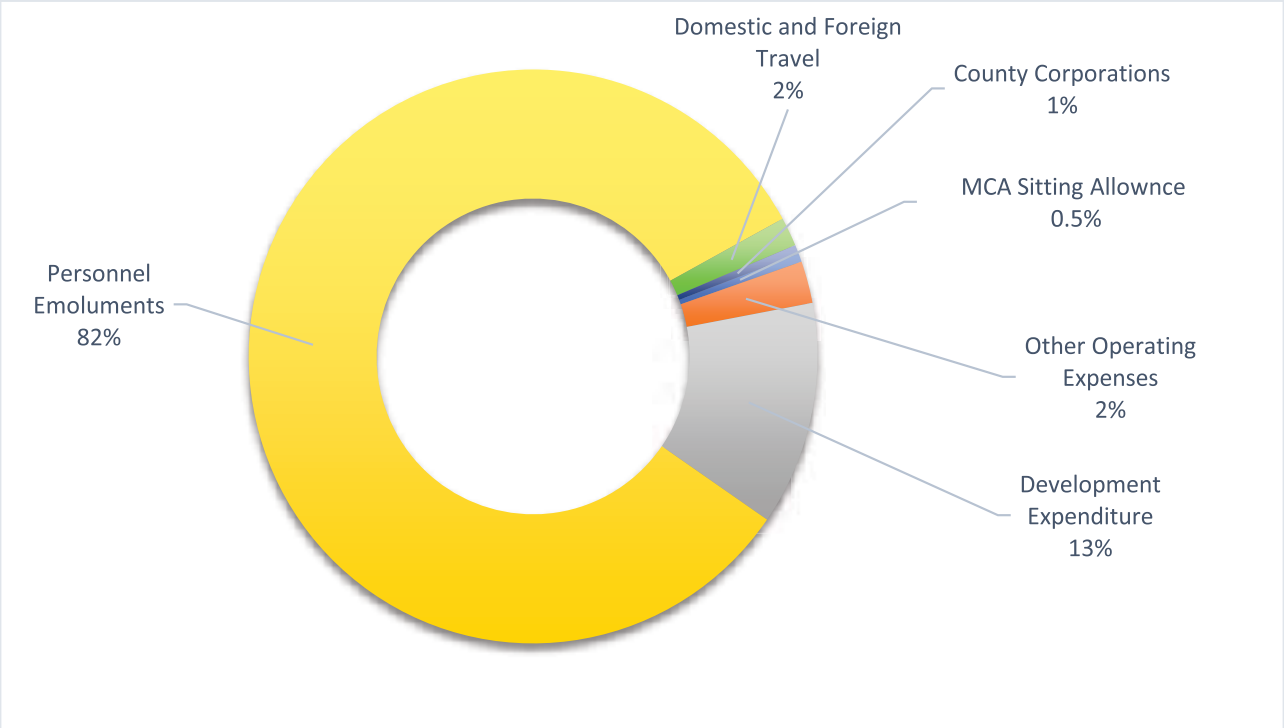
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.743.64 million.

3.23.4 Expenditure Review

The County incurred Kshs.1.46 billion on development and recurrent programmes in the reporting period. The expenditure represented 111 per cent of the total funds released by the CoB. It comprised Kshs.179.40 million for development programmes and Kshs.1.26 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 5 per cent, while recurrent expenditure represented 17 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling incurred.

Figure 132: Makueni County Composition of Each Shilling Incurred in the First Quarter of FY 2025/26



Source: Makueni *County Treasury*

As shown in Figure 132, the three highest expenditure categories were Personal Emoluments, Development, and Other Operating Expenses, which accounted for 82 per cent, 13 per cent, and 2 per cent of total expenditure for the reporting period, respectively.

3.23.5 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.818.17 million This amount included Kshs.656.64 million from the County Executive and Kshs.161.53 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.557.99 million for recurrent expenditures and Kshs.98.65 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.374.95 million, for recurrent programmes. On the other hand, the County Assembly settled trade payables worth Kshs.41.68 million, which relates to recurrent activities. The outstanding trade payables as of 30th September 2025 were Kshs.281.69 million for the County Executive and Kshs.119.86 million for the County Assembly. Table 3.271 provides additional details of trade payables.

Table 3.271: Makueni County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	98,646,750	557,989,605	656,636,355
		County Assembly	-	161,533,248	161,533,248
		Total	**98,646,750**	**719,522,853**	**818,169,603**
Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	-	437,770,160	437,770,160
		County Assembly	-	59,785,131	59,785,131
		Total	-	**497,555,291**	**497,555,291**
Amount paid in FY 2025/26	c	County Executive	-	374,948,837	374,948,837
		County Assembly	-	41,676,982	41,676,982
		Total	-	**416,625,819**	**416,625,819**

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Trade Payables Incurred in First Quarter of FY 2025/26	d	County Executive	-	-	-
		County Assembly	-	-	-
		Total	-	-	-
Outstanding Trade Payables as of 30 September 2025	e=a-c*b	**County Executive**	98,646,750	183,040,768	281,687,518
		County Assembly	-	119,856,266	119,856,266
		Total	**98,646,750**	**302,897,034**	**401,543,784**

Source: *Makueni County Treasury*

The County Executive and the Assembly submitted a Trade Payables payment plan, committing to pay Kshs.437.77 million and Kshs.59.79 million, respectively, in the first quarter of FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs.374.95 million for the Executive and Kshs.41.68 million for the Assembly.

Table 3.272 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.401.54 million

Table 3.272: Makueni County Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	85,855,685	10,778,893	120,000	1,892,172	98,646,750
Recurrent Trade Payables (Goods & Services)	124,399,816	17,089,287	1,878,597	94,000	143,461,700
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	55,504,408	-	39,417,551	-	94,921,959
Recurrent Trade Payables (Staff Claims)	63,481,016	1,032,359	-	-	64,513,375
Total Recurrent Trade Payables	243,385,240	18,121,646	41,296,148	94,000	302,897,034
Total Trade Payables	329,240,925	28,900,539	41,416,148	1,986,172	401,543,784
% of Total	**82%**	**7%**	**10%**	**0%**	**100%**

Source: *Makueni County Treasury*

As illustrated in Table 3.272, the majority of the Executive payables (82%) are less than one year old. The Controller recommends that the Executive reduce the frequency of new payables while settling the existing ones using FIFO.

3.23.6 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.10 billion for compensation of employees, Kshs.102.72 million for operations and maintenance, and Kshs.179.40 million for development activities. Similarly, the County Assembly incurred Kshs.72.16 million on compensation of employees, Kshs.10.98 million on operations and maintenance, as shown in Table 3.273.

Table 3.273: Makueni County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**6,770,317,904**	**839,631,316**	**1,202,067,745**	**83,138,950**	**98**	**100**
Compensation of Employees	4,655,289,818	495,224,277	1,099,346,118	72,163,260	100	100
Operations and Maintenance	2,115,028,086	344,407,039	102,721,627	10,975,690	80	100
Development Expenditure	**3,874,158,408**	**58,000,000**	**179,399,584**	-	**1,180**	-
Total	**10,644,476,312**	**897,631,316**	**1,381,467,329**	**83,138,950**	**111**	**100**

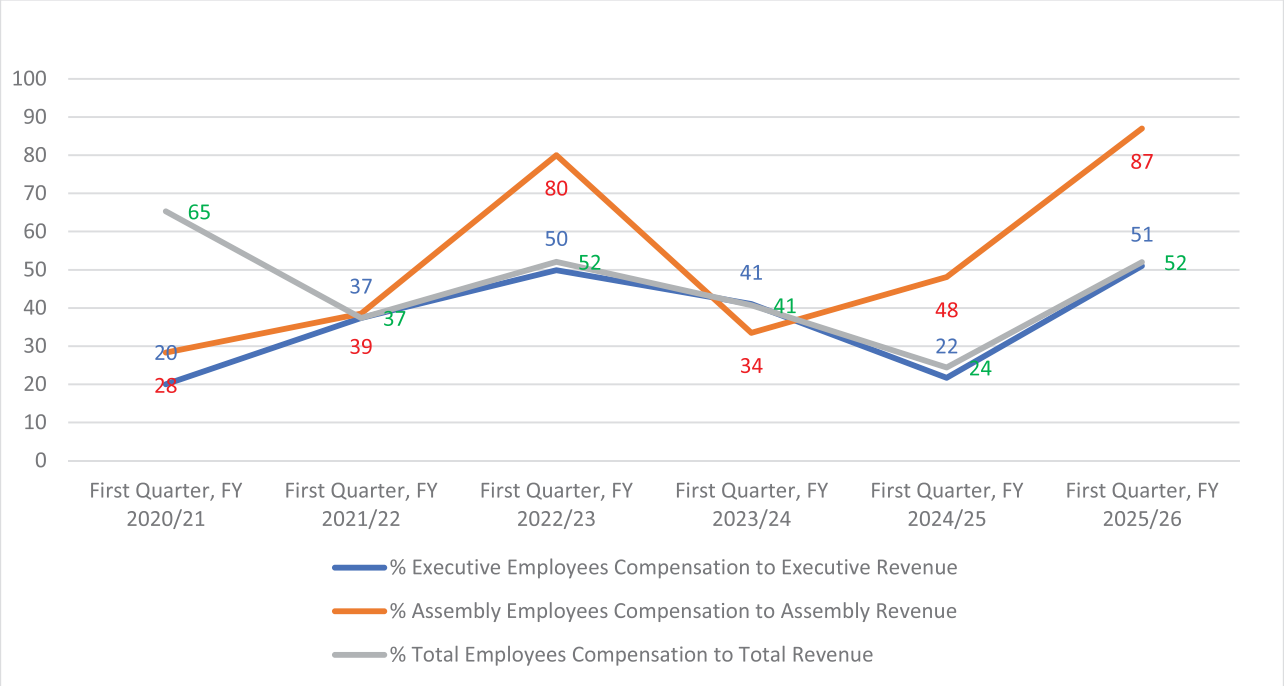
Source: *Makueni County Treasury*

3.23.7 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.17 billion. The percentage of compensation of employees to revenue was 52 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.352.28 million reported in a similar period in FY 2024/25. The Change is attributed to the June salary arrears, which were paid with the July 2025 disbursement in August. Of this total, Kshs.743.35 billion related to the Health Sector employees, which accounted for 63 per cent of the overall employees' compensation.

Figure 133 shows the compensation trend of employees' expenditures as a percentage of total revenue received-from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 133: FPercentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Makueni County Treasury

As shown in Figure 134, the County Assembly apportioned 87 per cent of its inflows in the first quarter of FY 2025/26 on compensation of employees, while the Executive apportioned 52 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis revealed that PE costs totalling Kshs.1.16 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.8.39 million was processed through manual payroll, which accounted for 1 per cent of the total PE cost.

The manual payroll comprised salaries for 73 casual staff, as shown in Table 3.274.

Table 3.274: Breakdown of Makueni County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for casual staff	8,385,352
	Total	**8,385,352**

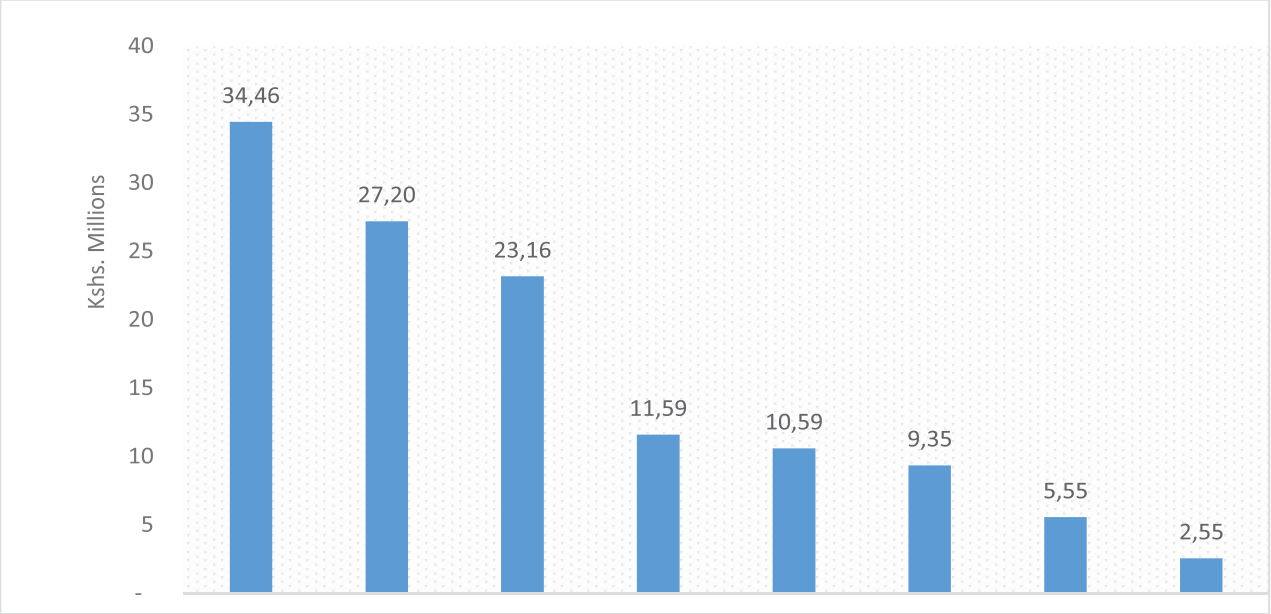
Source: Makueni County Treasury

The County Assembly incurred Kshs.6.76 million on committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.43.69 million. The average monthly sitting allowance was Kshs.46,940 per MCA. The County Assembly has 21 House Committees.

3.23.8 Expenditure on Operations and Maintenance

During the reporting period, the County incurred Kshs.113.70 million on operations and maintenance, representing a decrease of 61 per cent compared to FY 2024/25, when the County spent Kshs.289.78 million. Figure 134 summarises the Operations and Maintenance expenditure by major categories.

Figure 134: Makueni County, Operations and Maintenance Expenditure by Major Categories



Source: *Makueni County Treasury*

3.23.9 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County incurred Kshs.34.45 million under "*Other Operating expenses*" which translates to 30 per cent of the cumulative operations and maintenance expenditure of Kshs.113.70 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.275.

Table 3.275: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure(Kshs.)
2211399	Agricultural Training Institute	4,000,000.00	100,000.00
2211399	Coordination of policy & bills preparation	2,526,000.00	174,000.00
2211399	Performance Contracting	4,000,000.00	239,400.00
2211399	Payroll Management	2,000,000.00	219,000.00
2211399	Sub County Administration Support - SCA AIES	25,800,000.00	6,484,000.00
2211399	Devolution Conference	2,000,000.00	450,000.00
2211399	Bills and Policies	1,000,000.00	834,200.00
2211399	AIE-Enforcement	800,000.00	151,880.00
2211399	Coordination of special programmes	6,155,489.00	38,600.00
2211399	Financial reporting and management- quarterly, annual and senate engagements	13,000,000.00	5,481,500.00
2211399	Electronic Government Procurement System	2,000,000.00	750,700.00
2211399	Preparation of Budgets	25,000,000.00	69,200.00
2110202	Payment of casuals	1,728,000.00	262,709.40
2211399	Office expenses	300,000.00	52,937.91
2210802	Board /Governance allowances	2,696,000.00	307,598.00
2211399	Promotion and Incentives	1,000,000.00	667,820.00
2211399	Financial reporting	400,000.00	88,200.00
2211399	Youth Empowerment Programme	2,000,000.00	435,600.00
2211399	Partnership and linkages	400,000.00	34,000.00
2211305	Contracted cleaning services	20,000,000.00	3,295,560.00

Code	Item	Budget (Kshs)	Expenditure(Kshs.)
2211399	Performance Management	1,000,000.00	499,800.00
2211313	Security Operations	6,600,000.00	1,134,000.00
2211399	Community Outreach	26,000,000.00	6,975,500.00
2211399	Intergovernmental relations-	9,000,000.00	1,047,900.00
2211399	Strengthening sand resources governance and sustainable utilisation	3,000,000.00	818,800.00
2211399	Planning, budget indicator training	500,000.00	226,000.00
2211399	Water Act Governance & Administration	1,500,000.00	385,400.00
2211399	Office operations	1,700,000.00	1,120,000.00
2211399	Other Operating Expenses-Financial Reporting	300,000.00	84,000.00
2210802	Board and Committee sitting allowances	3,500,000.00	1,000,000.00
2211399	Municipal Quarterly Citizen Fora costs	800,000.00	199,900.00
	Total	**170,705,489.00**	**33,628,205.31**

Source: *Makueni County Treasury*

A review of the other expense items listed in the table revealed the following inconsistencies: Some expenditures with clear and unique budget codes were erroneously aggregated under the "*Other Operating Expenses*" category. These include Planning, budget indicators, Training, and Preparation of Budgets, among others.

3.23.10 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.162.60 million to County-Established funds in FY 2025/26, or 1 per cent of the County's overall budget. Furthermore, the County allocated Kshs.20 million to the Emergency Fund (0.17 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.276 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.276: Performance of Makueni County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Incurred Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
	County Executive Established Funds						
1	Makueni County State and Public Officers Car Loan and Mortgage Fund	2018	10,000,000	-	-	413,885,743	Yes
2	Makueni County Climate Change Fund	2023	105,000,000	-	-	551,148,787	yes
3	Makueni County Empowerment Fund	2015	1,600,000	-	-		Yes
4	Makueni County Bursary Fund	2021	26,000,000	-	-	220,464,131	Yes
5	Makueni County Emergency Fund	2015	20,000,000	-	-	547,321,277	Yes
	County Assembly Established Funds						
6	Makueni County Assembly MCA's and Public officers Car Loan and Mortgages Fund	2017	-	-		413,885,743	No
	Total		162,600,000			2,240,334,239	

Source: *Makueni County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from all the Fund Administrators, as indicated in Table 3.276, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly.

3.23.11 County Corporations

The County has two County Corporations, which were allocated Kshs.183.11 million in FY 2025/26. Their total expenditure for the review period amounted to Kshs.7.14 million as shown in Table 3.277.

Table 3.277: Performance of Makueni County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Makueni County Fruit Development and Marketing Authority	89,063,609	-	-	464,474,737
2	Sand Conservation and Utilisation Authority	94,048,596	7,137,059	7,137,059	536,506,043
	Total	**183,112,205**	**7,137,059**	**7,137,059**	**1,000,980,780**

Source: *Makueni County Treasury*

3.23.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.23.16 million by the County Executive.

3.23.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.170.14 million as FIF, which was 24 per cent of the annual target of Kshs.700 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County developed regulations to operationalise the FIF Act of 2023.

The expenditure by health facilities amounted to Kshs.201.03 million, as shown in Table 3.278.

Table 3.278: Makueni County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	517,289,099	71,796,226	14
2.	Level 4 Hospital	16	925,099,047	111,617,532	12
3.	Level 3 Facility	41	36,417,935	7,283,587	20
4.	Level 2 Facility	184	46,480,518	10,329,004	22
	Total	242	1,525,286,599	201,026,349	13

Source: *Makueni County Treasury*

3.23.14 Development Expenditure

In the review period, the County reported incurring Kshs.179.40 million on development programmes, representing an increase of 94 per cent compared to FY 2024/25, when the County incurred Kshs.10.70 million. Table 3.279 summarises the development projects with the highest expenditure in the reporting period.

Table 3.279: Makueni County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Contract sum (Kshs)	Amount incurred in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects						
1.	Lands, Urban Planning & Development, Environment and Climate Change	IDA (World Bank) Credit Financing Locally-Led Climate Action (FLLoCA) Program, County Climate Resilience Investment (CCRI) Grant - Matching Grant	HQ	344,546,292	9,164,753	9,164,753	10
2.	MCFDMA	Quality Management Certifications	HQ	3,442,000	96,000	96,000	3

No.	Sector	Project Name	Project Location	Contract sum (Kshs)	Amount incurred in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
3.	Health	Medical Health Services Fees - Facility Improvement fee(Cash collection) - Hospitals	HQ	182,388,000	61,400,937	61,400,937	34
4.	Health	Essential medicines and medical supplies-AIA	HQ	250,000,000	108,737,894	108,737,894	43

Source: *Makueni County Treasury*

3.23.15 Budget Performance by Department

Table 3.280 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.280: Makueni County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governorship	516.10	0.00	84.78	0.00	32.41	0.00	38	-	6	-
County Secretary	266.64	0.00	45.62	0.00	33.53	0.00	74	-	13	-
County Attorney	57.86	20.80	10.17	0.00	5.98	0.00	59	-	10	-
Devolution, Public Participation, County Administration and Special Programs	342.76	407.20	80.56	0.00	48.26	0.00	60	-	14	-
Finance and Socio-Economic Planning	477.63	55.25	77.48	0.00	47.03	0.00	61	-	10	-
Agriculture, Livestock, Fisheries and Cooperative Development	269.23	344.53	48.60	0.00	40.76	0.00	84	-	15	-
Makueni County Fruit Development and Marketing Authority	37.00	52.06	5.28	0.00	2.91	0.10	55	-	8	0
ICT, Education and Internship	806.16	262.18	153.68	0.00	121.25	0.00	79	-	15	-
Gender, Children, Youth, Sports and Social Services	80.26	187.68	14.57	0.00	10.70	0.00	73	-	13	-
Health Services	3153.23	974.68	558.52	0.00	772.04	170.14	138	-	24	17
Trade, Marketing, Industry, Culture and Tourism	143.61	82.50	25.57	0.00	17.25	0.00	67	-	12	-
Infrastructure, Transport, Public Works, Housing and Energy	163.45	521.40	28.39	0.00	15.41	0.00	54	-	9	-
Lands, Urban Planning & Development, Environment and Climate Change	88.38	344.55	15.54	15.20	10.46	9.16	67	60	12	3
Wote Municipality	66.79	89.83	20.50	0.00	0.00	0.00	-	-	-	-
Emali-Sultan Hamud Municipality	42.54	58.53	5.49	0.00	0.00	0.00	-	-	-	-
Water, Sanitation and Irrigation	115.88	447.96	21.46	0.00	16.55	0.00	77	-	14	-
Sand Conservation and Utilisation Authority	69.05	25.00	16.53	0.00	11.23	0.00	68	-	16	-

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	73.75	0.00	11.39	0.00	7.64	0.00	67	-	10	-
County Assembly	839.63	58.00	83.14	0.00	0.00	0.00	-	-	-	-
Total	**7,609.95**	**3,932.16**	**1,307.25**	**15.20**	**1,193.41**	**179.40**	**91**	**1,180**	**16**	**5**

***Source**: Makueni County Treasury*

Analysis of expenditure by departments shows that the Department of Health recorded the highest absorption rate of development budget at 17 per cent, followed by the Department of Land, Physical Planning and Mining at 3 per cent. The Department of Health had the highest recurrent expenditure-to-budget ratio at 24 per cent, while the Office of the Governor had the lowest at 6 per cent.

3.23.16 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Tourism Development and Promotion in the Department of Trade, Industry and Cooperative at 38 per cent, General Administration and Planning in the Department of Health at 29 per cent, and Financial Accounting Services in the Department of Finance and Socio-Economic Planning at 24 per cent of the budget allocation. Conversely, the development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General Administration and Planning in the Department of Health, at 20 per cent, and Environment Management and Protection in the Department of Land, Physical Planning and Mining, at 3 per cent of the budget allocation.

3.23.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 21 accounts in commercial banks, including 16 accounts for Health Facilities and five accounts for Established Funds.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening all the commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.23.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 23rd October, 2025.
ii. The underperformance of own-source revenue at Kshs.240.05 million against an annual target of Kshs.1.5 billion, representing 16 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Kshs.179.40 million on development activities, achieving a 5 per cent absorption rate.
iv. The Balance b/f from FY 2024/25 had not been budgeted for in the current FY 25/26, as shown in Table 3.280.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within

the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Emergency Fund, Bursary Fund, Climate Change Fund, Car Loan and Mortgage Fund, and Empowerment (*Tetheka*) Fund were not submitted to the CoB as of July 15, 2025.

vi. High level of trade payables, which amounted to Kshs.401.54 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.

vii. Use of manual payroll by the County Assembly. Personnel emoluments amounting to Kshs.8.39 million for casual staff were processed through manual payroll, accounting for 1 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.

viii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

ix. The County reported Kshs.34.46 million under "*other operating expenses,*" accounting for 30 per cent of total operation and maintenance costs. The review revealed that this category was misused to record items with specific budget codes, distorting the cost structure, reducing financial transparency, and weakening accountability in public fund management.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*

ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*

iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iv. *The County Treasury should ensure the Balance b/f from the previous financial year should be considered under the supplementary I budget.*

v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the trade payables Action Plan should be enforced.*

vii. *The County Assembly should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

viii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

ix. *The County Treasury should adhere to the approved budget classification framework by ensuring that all expenditures are recorded under their specific budget codes rather than being aggregated under the "Other Operating Expenses" category.*

3.24. County Government of Mandera

3.24.1 Overview of FY 2025/26 Budget

The Mandera County Approved Budget for FY 2025/26 is Kshs.15.01 billion. It comprises Kshs.5.44 billion (36 per cent) and Kshs.9.57 billion (64 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.120.71 million (1 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.5.94 billion and a recurrent budget of Kshs.8.95 billion. The increase in the budget was primarily attributed to the rise in the Equitable Share of revenue received nationally.

The budget is to be financed from various revenue sources. These include the equitable share of revenue received nationally, amounting to Kshs 12.27 billion (82 per cent), as well as additional allocations of Kshs1.72 billion (11 per cent), a cash balance of Kshs.347.55 million (2 per cent) brought forward from FY 2024/25, Kshs.360 million (2 per cent) generated as ordinary own-source revenue and Kshs322.53 million (2 per cent) as FIF collection. A breakdown of the additional allocations is shown in Table 3.281.

3.24.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.53 billion in revenue. This amount represented an increase of 26 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.02 billion. The total revenue consisted of Kshs.1.98 billion from the equitable share of revenue received nationally, as well as additional allocations from the national government and development partners of Kshs.134.7 million, as well as the own-source revenue (OSR) collection of Kshs.75.52 million. Additionally, the County had a cash balance of Kshs.347.55 million from FY 2024/25. The total OSR collection of Kshs.75.52 million included Facilities Improvement Financing (FIF) of Kshs.37.63 million, and Kshs.37.89 million from other OSR sources. Table 3.281 summarises the total revenue received to the County Government during FY 2025/26.

Table 3.281: Mandera County, Revenue Performance in FY 2025/26

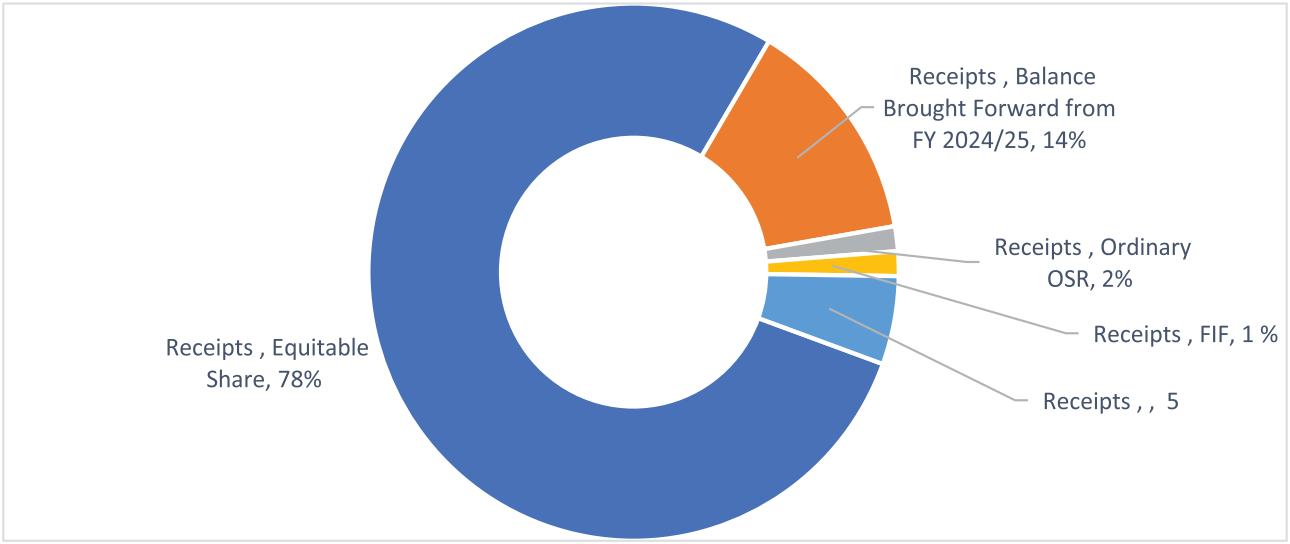
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	12,265,064,993	1,974,907,846	16
Subtotal		**12,265,064,993**	**1,974,907,846**	**16**
B	**Additional Allocations**			
1	Roads Maintenance Fuel Levy	192,647,255	70,127,132	36
2	Kenya Urban Support Project (KUSP) - UIG b/f	35,000,000	32,309,300	92
3	FLOCCA CCIR Grant FY 2023/2024 Allocations B/f (Amount in SPA)	16,507,427	16,507,428	100
4	DANIDA Grant - Primary Health Care (B/f)	15,746,250	15,746,250	100
5	Kenya Devolution Support Programme 2 (KDSP II) Level 2 grant	352,500,000	-	-
6	Conditional Grant for Aggregated Industrial Parks Programme	250,000,000	-	-
7	Food Systems Resilience Project -(FSRP)	246,153,846	-	-
8	FLOCCA CCIR Grant FY 2023/2024 and FY 2024/25 Allocations	227,938,965	-	-
9	Kenya Urban Support Project (KUSP) - UDG	142,013,441	-	-
10	FSRP b/f	70,127,131	-	-
11	Kenya Devolution Support Programme 2 (KDSP II)	37,500,000	-	-
12	Kenya Urban Support Project (KUSP) - UIG	35,000,000	-	-
13	Basic Salary Arrears for County Governments' Health Workers	19,809,159	-	-
14	DANIDA Grant - Primary Health Care for FY 2023/2024 (Not received)	18,653,250	-	-
15	Community Health Promoters Program	18,540,000	-	-
16	DANIDA Grant - Primary Health Care	16,473,000	-	-
17	FLOCCA County Climate Institutional Support Grant	11,000,000	-	-
18	Kenya Agricultural Business Development Project	10,918,919	-	-
19	Allocation for Mineral royalties	1,028	-	-
Subtotal		**1,716,529,671**	**134,690,110**	**8**
C	**Ordinary Own Source Revenue (OSR)**			
1	Land rents	76,640,271	6,755,750	9
2	Plot Transfers/Sub-Divisions/Application Fees	27,590,500	4,023,500	15
3	Building plan	3,270,000	50,000	2
4	Miraa Movements	9,034,500	1,210,000	13
5	Single Business Permit	37,402,728	1,209,100	3
6	Market Stalls/ Shades	18,148,637	2,212,740	12
7	Market Gates/Cess	1,400,650	67,575	5
8	Buspark/Taxis/Parking	1,200,000	20,790	2
9	Income from Quarries'	1,084,180	333,200	31
10	Barriers	25,735,950	5,090,327	20
11	Livestock Markets Auction	8,984,555	1,186,610	13
12	Livestock Movement	15,416,646	2,407,640	16
13	Slaughter Fees and Charges	8,924,150	1,126,109	13
14	Produce Cess	3,872,037	360,470	9
15	Agriculture Mechanisation/Hire of Equipment	1,850,196	195,000	11
16	Rental income	1,915,000	927,418	48
17	Tender Fees	45,500,000	738,692	2

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
18	Public Health	4,200,000	169,200	4
19	Fire Service Fees	2,580,000	21,000	1
20	Income from Water Management	65,250,000	9,787,814	15
Subtotal		**360,000,000**	**37,892,935**	11
D	**Facility Improvement Fund (FIF)**			
1	Hospital Collections	322,525,007	13,363,722	4
2	Insurance Claims-Referrals		7,404,611	-
3	Insurance Claims-Level 2 & 3		16,731,228	-
4	Public Health		128,500	-
Subtotal		**322,525,007**	**37,628,061**	**12**
F	Balance Brought Forward from FY 2024/25			
1	Balance at CRF	347,553,249	347,553,249	**100**
2	County Executive Refunds to CRF	-	-	0
3	County Assembly Refunds to CRF	-	-	0
Subtotal		**347,553,249**	**347,553,249**	100
Grand Total		**15,011,672,920**	**2,532,672,201**	**17**

Source: *Mandera County Treasury*

The County has the governing legislation on the operation of ordinary A-I-A and FIF. Figure 135 provides a detailed breakdown of revenues, showing a breakdown of each shilling received.

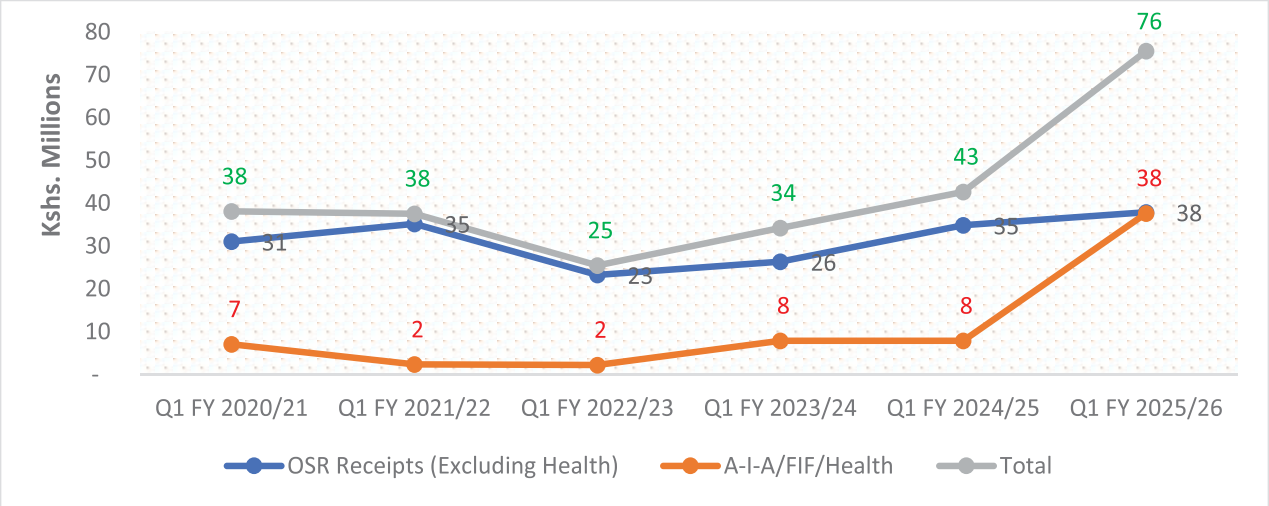
Figure 135: Mandera County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Mandera County Treasury*

The equitable share of revenue received nationally, balance brought forward, and OSR contributed 78, 14 and 1 per cent respectively of the total revenue for the reporting period. Figure 136 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 136: Mandera County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



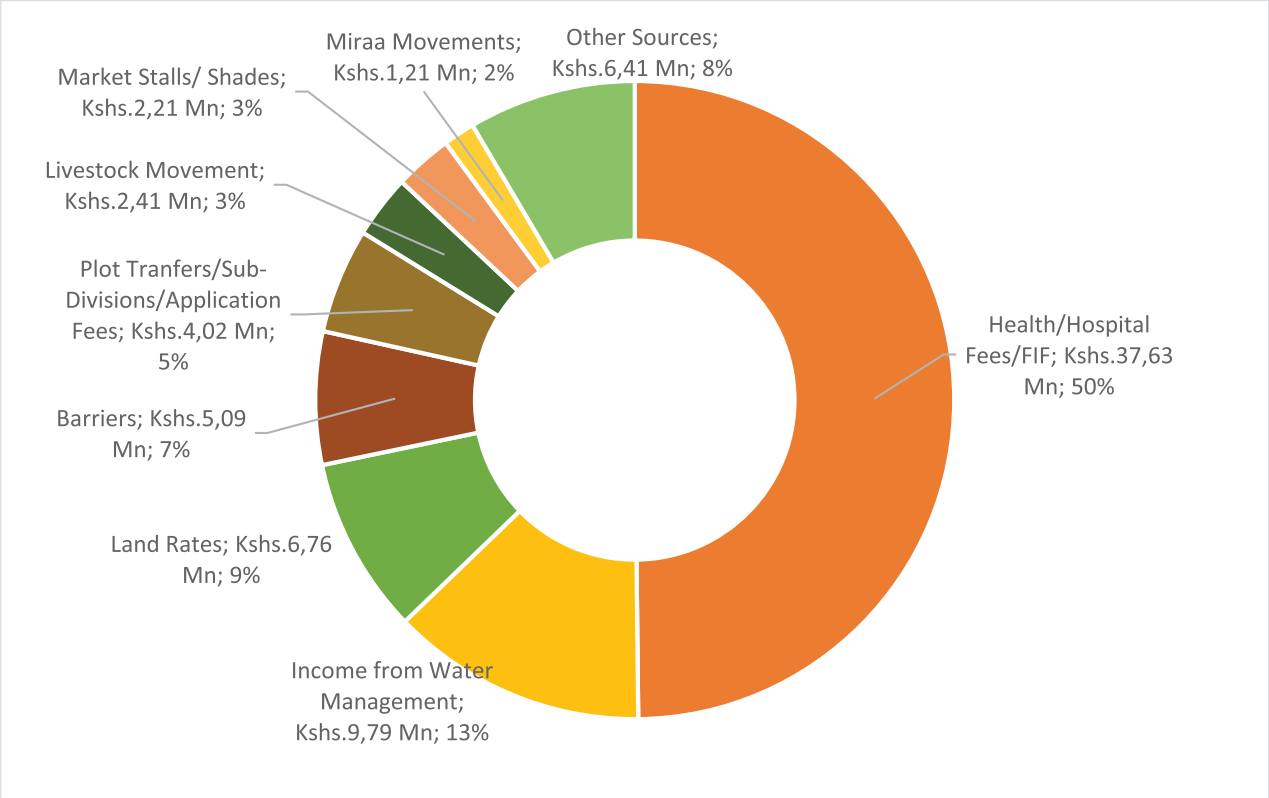
Source: *Mandera County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.75.52 million from its revenue sources, including FIF. This amount was an increase of 77 per cent compared to Kshs.42.68 million realised in a similar period in FY 2024/25, which was 11 per cent of the annual target and 4 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to the implementation of the FIF Act, which led to an increase in FIF collection, as well as improved enforcement and automation.

The revenue streams which contributed the highest OSR revenues are shown in Figure 137.

Figure 137: Mandera County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Mandera County Treasury

As shown in Figure 137, the highest revenue stream, at Kshs.37.63 million, was from Hospital collections, accounting for 50 per cent of the total OSR receipts. The County Government indicated that it has automated all revenue streams.

3.24.3 Revenue Arrears/ Receivables

The County did not report on any revenue arrears during the reporting period.

3.24.4 Borrowing by the County

The County did not report on any borrowing during the reporting period.

3.24.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.75 billion from the CRF account during the reporting period, which comprised Kshs.269.15 million (15 per cent) for development programmes and Kshs.1.48 billion (85 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.16 billion was towards employee compensation and Kshs.318.35 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 3 per cent was for domestic travel, and there were no foreign travel expenditures during the reporting period. The domestic travel exchequer amounted to Kshs.8.29 million and was all incurred by the County Executive. There were no foreign travel exchequer releases during the reporting period.

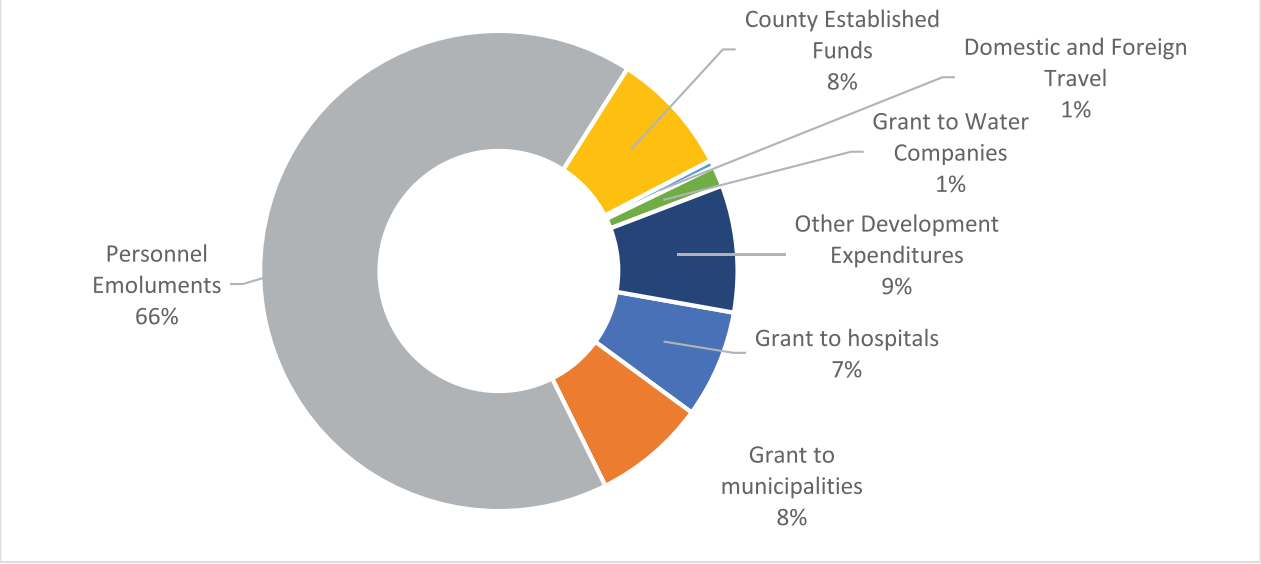
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.995.13 million.

3.24.6 Expenditure Review

The County incurred Kshs.1.75 billion on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.269.15 million for development programmes and Kshs.1.48 billion for recurrent programmes. Expenditure on development programmes accounted for 5 per cent, while recurrent expenditure accounted for 16 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling incurred.

Figure 138: Mandera County Composition of Each Shilling Incurred in the First Quarter of FY 2025/26



Source: *Mandera County Treasury*

As shown in Figure 138, the three highest expenditure categories were Personnel Emoluments, Bursary Fund, and other Development Expenditures, which contributed 66 per cent, 9 per cent, and 8 per cent of the total

expenditure for the reporting period.

3.24.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.2.45 billion. This amount included Kshs.2.45 billion from the County Executive and Kshs.6.07 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.02 billion for recurrent expenditures and Kshs.1.47 billion for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.382.01 million, all for recurrent programmes and Kshs3.85 million for Development projects. On the other hand, the County Assembly did not settle any trade payables. The outstanding trade payables as of 30th September 2025 were Kshs.2.11 billion for the County Executive and Kshs.6.07 million for the County Assembly. Table 3.282 provides additional details of trade payables.

Table 3.282: Mandera County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	1,309,515,262	1,184,279,219	2,493,794,481
		County Assembly		6,073,972	6,073,972
		Total	1,309,515,262	1,190,353,191	2,499,868,453
Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive		382121300	382,121,300
		County Assembly			-
		Total	-	382,121,300	382,121,300
Amount paid in FY 2025/26	c	County Executive	3,850,000	38,201,1405	385,861,405
		County Assembly			-
		Total	3,850,000	382,011,405	385,861,405
Outstanding Trade Payables as of 30 September 2025	e=a-c*b	**County Executive**	**1,305,665,262**	**802,267,814**	**2,107,933,076**
		County Assembly	**-**	**6,073,972.00**	**6,073,972.00**
		Total	**1,305,665,261.81**	**808,341,786.00**	**2,114,007,047.81**

Source: *Mandera County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.966.27 million and Kshs.6.07 million, respectively, in FY 2025/26. The County Executive adhered to this payment plan, as it cleared Kshs.385.86 million. The Assembly did not comply with this plan, as it did not settle any amounts during the reporting period.

Table 3.283 and Table 3.284 present the ageing of the total outstanding payables as of 30 September 2025 for the County Executive and Assembly, which were Kshs.2.12 billion.

Table 3.283: Mandera County Executive Trade Payable Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	502,997,094		1,018,577,930		1,521,575,024
Recurrent Trade Payables (Goods & Services)	128,077,104		242,457,179		370,534,283
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	215,823,769				215,823,769
Recurrent Trade Payables (Staff Claims)					-

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Total Recurrent Trade Payables	343,900,873	-	242,457,179	-	586,358,052
Total Trade Payables	846,897,967	-	1,261,035,109	-	2,107,933,076

Source: *Mandera County Treasury*

Table 3.284: Mandera County Assembly Trade Payable Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	-		-		-
Recurrent Trade Payables (Goods & Services)	6,073,972		-		6,073,972
Revenue arrears Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-				-
Recurrent Trade Payables (Staff Claims)					-
Total Recurrent Trade Payables	**6,073,972**	-	-	-	**6,073,972**
Total Trade Payables	**6,073,972**	-	-	-	**6,073,972**

Source: *Mandera County Assembly*

3.24.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.01 billion for compensation of employees, Kshs.318.34 million for operations and maintenance, and Kshs.269.15 million for development activities. Similarly, the County Assembly incurred Kshs.62.93 million on compensation of employees. The County Assembly did not incur any expenditures on operations and maintenance and development activities, as shown in Table 3.285.

Table 3.285: Mandera County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**8,652,993,735**	**917,936,058**	**1,417,336,806**	**62,932,370**	**16**	**7**
Compensation of Employees	5,335,088,472	349,680,066	1,098,990,892	62,932,370	**21**	**18**
Operations and Maintenance	3,317,905,263	568,255,992	318,345,914	-	**10**	-
Development Expenditure	**5,390,743,127**	**50,000,000**	**269,150,000**	-	**5**	-
Total	**14,043,736,862**	**967,936,058**	**1,686,486,806**	**62,932,370**	**12**	**7**

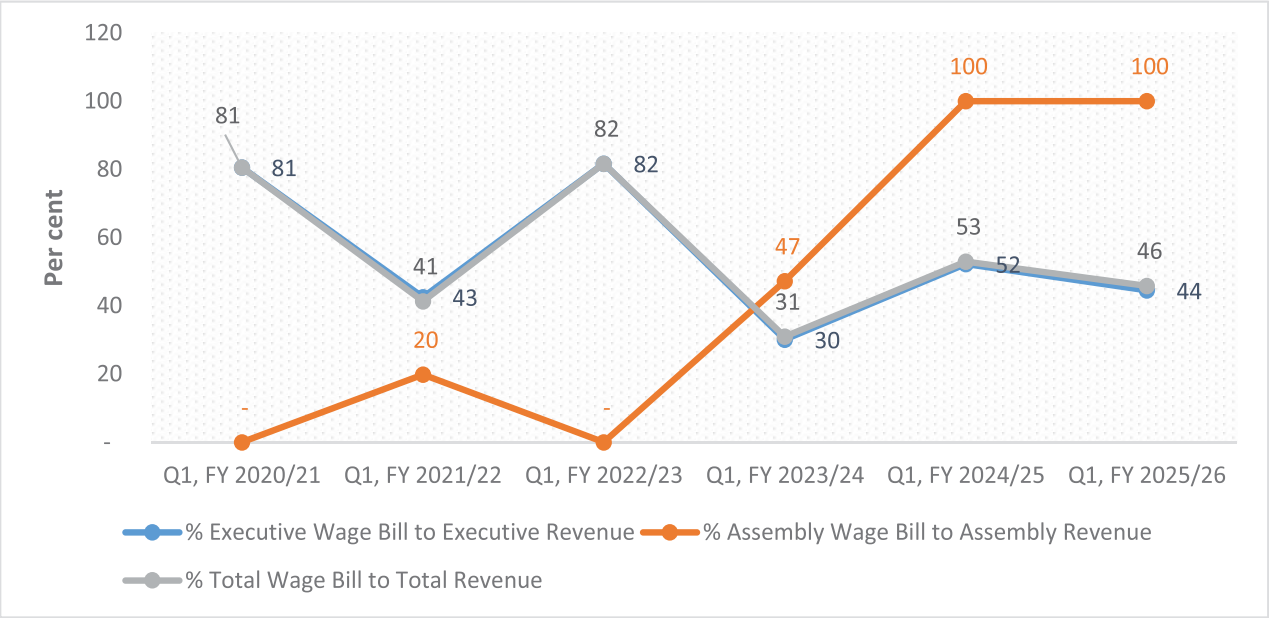
Source: *Mandera County Treasury*

3.24.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.16 billion. The compensation-to-revenue ratio was 46 per cent. This expenditure on employee compensation shows an increase of 9 per cent compared to the Kshs.1.07 billion reported in a similar period in FY 2024/25. Of this total, Kshs.375.98 million was related to Health Sector employees, accounting for 32 per cent of overall employees' compensation.

Figure 139 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 139: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Mandera County Treasury

As shown in Figure 139, the County Assembly apportioned 100 per cent of its revenue in the first quarter of FY 2025/26 towards compensation of employees while the Executive apportioned 44 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis revealed that PE costs totalling Kshs.1.11 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.50.49 million was processed through manual payroll, which accounted for 4 per cent of the total PE cost.

The manual payroll comprised salaries for staff not onboarded into the Human Resource Information System (HRIS), salaries for casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.286.

Table 3.286: Breakdown of Mandera County Manual Payroll

Sno.	Description of Manual Payroll	County Executive	County Assembly	Total
1.	Salaries for staff paid outside the Human Resource Information System (HRIS)	19,455,550.00	202,815.00	19,658,365.00
2.	Salaries for casual staff	20,455,899.35	158,000.00	20,613,899.35
3.	Top-up Allowances for security officers	7,670,000.00	278,720.00	7,948,720.00
4.	NSSF Contributions	1,456,740.00	11,160.00	1,467,900.00
5.	House Levy	713,723.10	5,187.45	718,910.55
6.	Gratuity for contract staff	-	13,950.00	13,950.00
7.	NITA contribution	72,700.00	550.00	73,250.00
	Total	**49,824,612.45**	**670,382.45**	**50,494,994.90**

Source: Mandera County Treasury

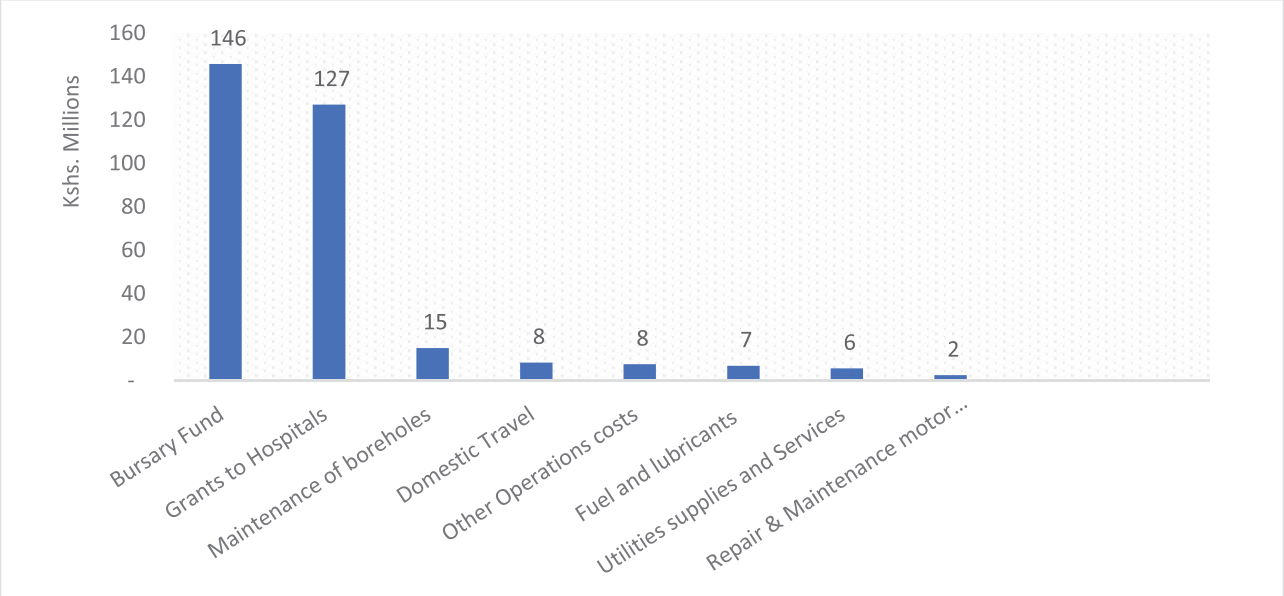
The County Assembly did not allocate any amount for the committee sitting allowances for the 50 MCAs, contrary to the annual budget allocation of Kshs.30 million. The County Assembly has 21 House Committees.

3.24.10 Expenditure on Operations and Maintenance

During the reporting period, the County incurred Kshs.318.35 million on operations and maintenance, representing an increase of 33 per cent compared to FY 2024/25, when the County incurred Kshs.240.18 million.

Figure 140 summarises the Operations and Maintenance expenditure by major categories.

Figure 140: Mandera County, Operations and Maintenance Expenditure by Major Categories



Source: *Mandera County Treasury*

3.24.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 did not have any expenditures under "*other Operating expenses*"

3.24.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.741.35 million to County-established funds in FY 2025/26, or 5 per cent of the County's overall budget. Furthermore, the County allocated Kshs.291.35 million to the Emergency Fund (2 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.287 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.287: Performance of Mandera County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Incurred Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1.	Education Bursary Program	2014	450,000,000	145,720,148	145,720,148	1,997,720,147	YES
2.	Emergency Fund	2024	291,350,959	-	0	3,000,000	NO
	Total		**741,350,959**	**145,720,148**	**145,720,148**	**2,000,720,147**	

Source: *Mandera County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from Emergency Fund Administrators, as indicated in Table 3.287, contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that administration costs of the Bursary Fund were within the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the Bursary Fund** had lapsed. Consequently, the County Assembly extended the lifespan in line with Regulation 197(1)(i), enabling the CoB approval for withdrawals to support the operations of the Bursary funds.

3.24.13 County Corporations

The County has three County Corporations, which were allocated Kshs.240 million in FY 2025/26. Their total expenditure for the review period amounted to Kshs.23.8 million, as shown in Table 3.288.

Table 3.288: Performance of Mandera County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1.	Mandera Water and Sewerage Company Ltd	120,000,000	10,000,000	10,000,000	1,314,100,897
2.	Elwak Water and Sewerage Company Ltd	80,000,000	8,800,000	8,800,000	328,900,000
3.	Takaba Water and Sewerage Company Ltd	40,000,000	5,000,000	5,000,000	10,000,000
	Total	**240,000,000**	**23,800,000**	**23,800,000**	**1,653,000,897**

Source: *Mandera County Treasury*

3.24.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.8.29 million, incurred by the County Executive. There was no expenditure on foreign travel by either the County Executive or the County Assembly.

3.24.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.37.63 million as FIF, which was 12 per cent of the annual target of Kshs.322.53 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.37.63 million, as shown in Table 3.289.

Table 3.289: Mandera County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Incurred Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	80,631,252	15,076,777	19
2.	Level 4 Hospital	6	112,883,752	5,820,056	5
3.	Level 3 Facility	35	80,631,252	5,436,025	7
4.	Level 2 Facility	65	48,378,751	11,295,203	23
	Total	**107**	**322,525,007**	**37,628,061**	**12**

Source: *Mandera County Treasury*

3.24.16 Development Expenditure

In the review period, the County reported spending Kshs.269.15 million on development programmes, representing an increase of 17 per cent compared to FY 2024/25, when the County spent Kshs.229.16 million. Table 3.290 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to improvement in budget implementation as well as the release of funds by the national treasury.

Table 3.290: Mandera County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Budget Allocation (Kshs)	Amount Incurred in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
1	Lands & Urban Development	Grant to Municipalities	Mandera & Elwak	Ongoing	485,000,000	133,000,000	133,000,000	27
2	Water & Environment	Grant to the Semi-Autonomous Water Companies	Mandera, Takaba & Elwak	Ongoing	240,000,000	23,800,000	23,800,000	10
3	Water and Environment	Rehabilitation of Fino, Damasa and Arabia water Supplies	Arabia	30th September 2025	20,000,000	20,000,000	20,000,000	100
4	Water and Environment	Rehabilitation of alungu bh1, lafey bh2,bida bh and arges awara bh	Lafey	30th September 2025	16,102,200	16,102,200	16,102,200	100
5	Water and Environment	Rehabilitation of kubi and olla boreholes	Mandera East	30th September 2025	11,498,523	11,498,523	11,498,523	100
6	Lands & Urban Development	Installation of solar street light at Aresa	Aresa	31st October 2025	2,000,000	1,850,000	1,850,000	93
7	Health Services	Rehabilitation of Golji Dispensary	Gojo	31st October 2025	2,000,000	2,000,000	2,000,000	100

Source: *Mandera County Treasury*

The County did not report on any stalled development projects as of 30 September 2025, Budget Performance by Department. Table 3.291 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.291: Mandera County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	917.94	50.00	62.93	-	62.93	-	100	-	7	-
County Executive Services	521.00	-	79.43	-	79.43	-	100	-	15	-
Finance and Economic Planning	439.60	22.80	71.88	-	71.88	-	100	-	16	-
Agriculture, Livestock and Fisheries	286.10	572.29	36.83	-	36.83	-	100	-	13	-
Water, Energy, Environment and Natural Resources	345.02	1,967.56	71.30	134.15	71.30	134.15	100	100	21	7
Education and Human Capital Development	1,124.70	248.30	283.87	-	283.87	-	100	-	25	-
Health Services	2,736.85	362.32	504.41	2.00	504.41	2.00	100	100	18	1
Lands and Urban Development	213.69	729.81	16.87	133.00	16.87	133.00	100	100	8	18
Roads, Transport and Works Roads	237.11	558.44	36.35	-	36.35	-	100	-	15	-
Social Development	388.35	166.96	15.60	-	15.60	-	100	-	4	-
Public Service Management	1,996.69	6.00	274.04	-	274.04	-	100	-	14	-
County Public Service Board	57.51	5.00	11.06	-	11.06	-	100	-	19	-
Trade and Cooperative Development	80.83	323.54	11.38	-	11.38	-	100	-	14	-

Department	Budget Allocation (Kshs. Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the County Secretary	134.03	427.73	4	-	4	-	100	-	3	-
Office of the County Attorney	91.50	-	0.32	-	0.32	-	100	-	0	-
Total	**9,570.93**	**5,440.74**	**1,480.27**	**269.15**	**1,480.27**	**269.15**	**100**	**100**	**15**	**5**

Source: *Mandera County Treasury*

Analysis of expenditure by departments shows that the Department of Lands & Urban Development recorded the highest absorption rate of development budget at 18 per cent, followed by the Department of Water at 7 per cent. The Department of Education had the highest recurrent expenditure-to-budget ratio at 25.2 per cent, while the Office of the County Secretary had the lowest at 3 per cent.

3.24.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Physical Planning, Housing and Urban Development in the Department of Lands and Urban Development at 19 per cent, Water and Sewerage Management in the Department of Water Services at 9 per cent, and Energy and Natural Resources at 3 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Water management in the Department of Water at 27 per cent, General Administration in the Department of Social Development and the Department of Water at 26 per cent and 23 per cent of the budget allocation, respectively.

3.24.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 31 accounts with commercial banks, including 14 accounts for FIF operations and collection, five accounts for revenue collection, three municipalities' operations accounts, one account for the Established Fund (bursary), 3 County Assembly accounts, one account for the ELRP project, one retention account, and three water companies' accounts.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of 22 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.24.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.37.89 million against an annual target of Kshs.360 million, representing 11 per cent of the financial year target.
ii. Low development performance in the review period as the County incurred Kshs.269.15 million on development activities, achieving a 5 per cent absorption rate.
iii. High level of trade payables, which amounted to Kshs.2.12 billion as of 30 September 2025.
iv. Use of manual payroll. Personnel emoluments amounting to Kshs.50.5 million for staff not onboarded into HRIS and casual staff were processed through manual payroll, accounting for 4 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
v. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regu-

lation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the trade payables Action Plan should be enforced.*
iv. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
v. *The County Treasury should ensure it submits copies of authorisation letters to OCOB for opening commercial bank accounts to enhance accountability and oversight.*

3.25. County Government of Marsabit

3.25.1 Overview of FY 2025/26 Budget

The Marsabit County Approved Budget for FY 2025/26 is Kshs.10.32 billion. It comprises Kshs.3.67 billion (36 per cent) and Kshs.6.66 billion (64 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.11.33 million (less than 1 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.27 billion and a recurrent budget of Kshs.6.04 billion. The increase in the budget was primarily attributed to the rise in sharable revenue.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.8.11 billion (78 per cent), additional allocations of Kshs.1.70 billion (16 per cent), a cash balance of Kshs.442.78 million (4 per cent) brought forward from FY 2024/25, and Kshs.270 million (2 per cent) to be receivedas own-source revenue. A breakdown of the additional allocations is shown in Table 3.292.

3.25.2 Revenue Performance

During the first Quarter of FY 2025/26, the County receivedKshs.1.78 billion in revenue. This amount represented an increase of 11 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.59 billion, as well as own-source revenue (OSR) collection of Kshs.42.03 million. Additionally, the County had a cash balance of Kshs.442.78 million from FY 2024/25. The total OSR collection of Kshs.42.03 million included Facilities Improvement Financing (FIF) of Kshs.22.62 million, and Kshs.19.45 million from other OSR sources. Table 3.292 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.292: Marsabit County, Revenue Performance in FY 2025/26

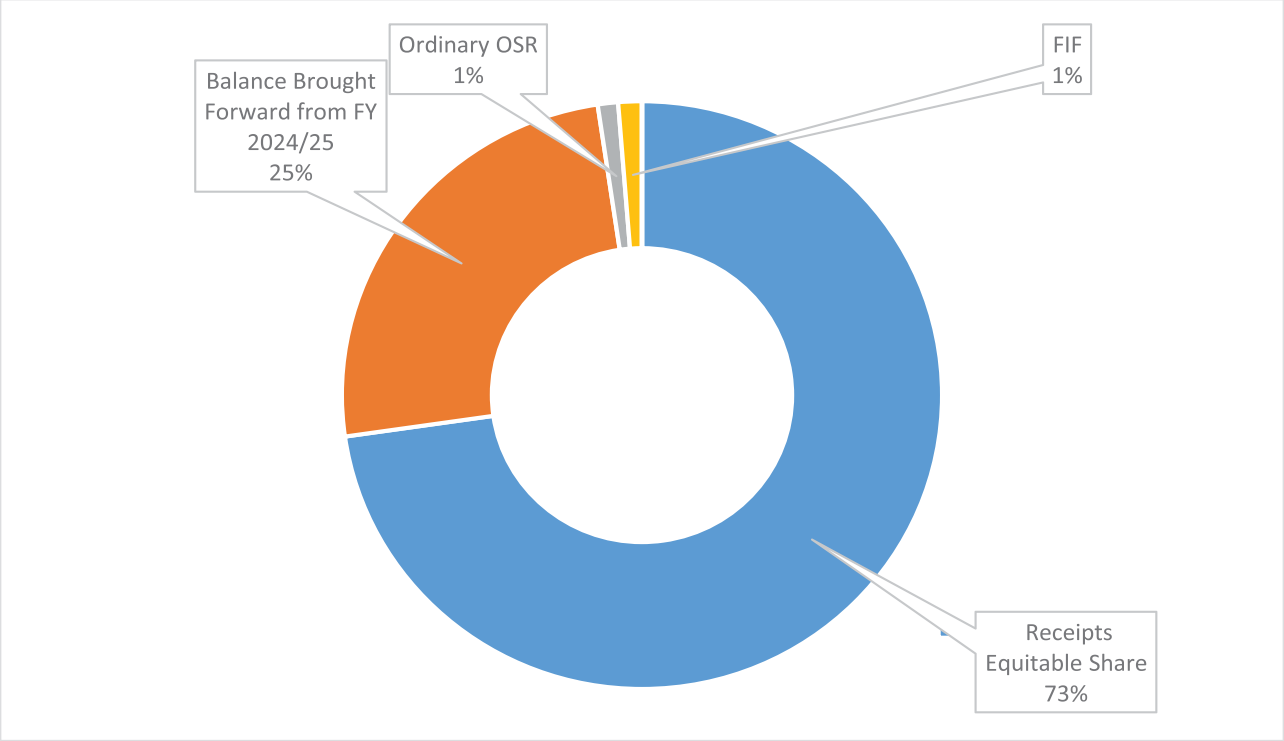
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	8,105,669,078.00	1,294,211,289.00	**16**
	Subtotal	8,105,669,078.00	1,294,211,289.00	**16**
B	**Equalisation Fund Disbursement**			
	Subtotal			
C	**Additional Allocations**			
1	DRPNK - Drought Resilience Programme in Northern Kenya	580,002,208	0	-
2	KDSP II - Level II Grant	352,500,000	0	-
3	FLLOCA - CCRI	250,000,000	0	-

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
4	Food Systems Resilience Project	246,153,846	0	-
5	Kenya Livestock Commercialisation Project (KELCOP)	70,250,000	0	-
6	Community Health Promoters	60,090,000	0	-
7	Kenya Urban Support Programme - UDG	50,000,000	0	-
8	KDSP II - Level I Grant	37,500,000	0	-
9	Kenya Urban Support Programme - UIG	26,000,000	0	-
10	Doctors Salary Arrears	15,028,763	0	-
11	DANIDA	10,914,000	0	-
12	Unconditional Allocation for 20% Share of Mineral Royalties	1,724,590	0	-
Subtotal		**1,700,163,407.00**	**0**	**0**
Owns Source Revenue (Ordinary)				
1	Produce	42,000,000	10,791,248	
2	Marsabit Municipality	15,000,000	2,839,306	
3	Livestock Charges	20,000,000	1,888,320	
4	Royalties	115,000,000	1,092,070	
5	Single business permit	19,000,000	951,570	
6	Land Transaction Charges	8,300,000	710,600	
7	Public health	10,400,000	282,200	
8	Other Sources	10,300,000	886,510	
Subtotal		**150,000,000**	**19,448,224**	
E	**Facility Improvement Fund (FIF)**			
1	SHIF	129,096,000.00	19,040,885.70	15
2	Other FIFs Sources-Cash collections	44,400,000.00	3,574,341.00	8.
Subtotal		173,496,000.00	22,615,224	13
F	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	254,108,017.00	442,785,933.14	174
Subtotal		254,108,017.00	442,785,933.14	
Grand Total		**10,329,940,502.00**	**1,779,060,669.84**	**17**

Source: *Marsabit County Treasury*

The County does not have governing legislation on the operation of FIF. Figure 141 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

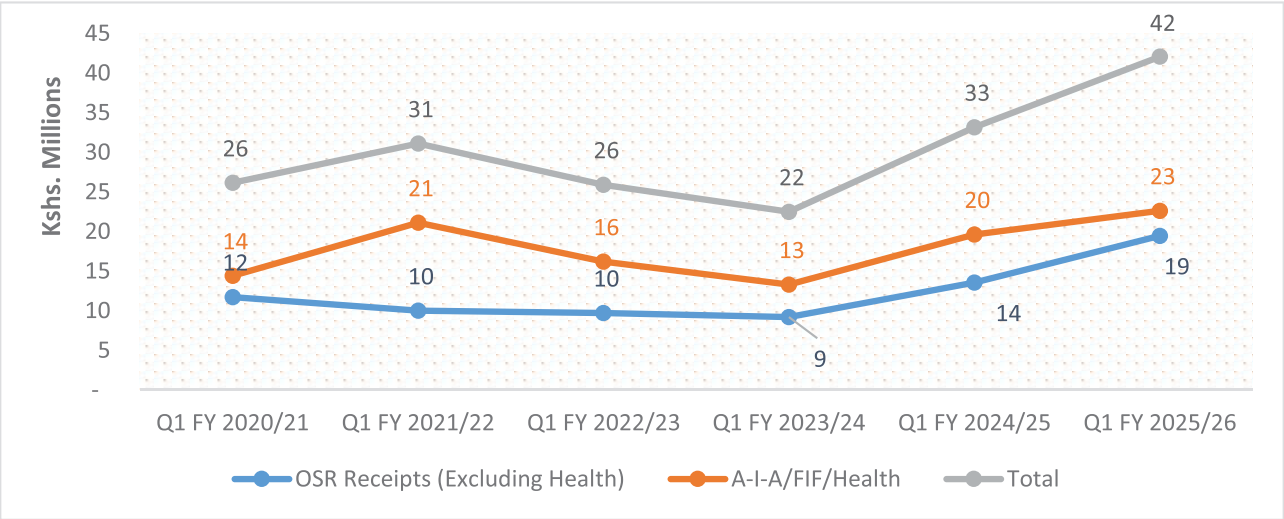
Figure 141: Marsabit County Composition of Each Shilling Receivedin the First Quarter of FY 2025/26



Source: *Marsabit County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 73 per cent, 25 per cent and 2 per cent, respectively, of the total receipts for the reporting period. Figure 142 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 142: Marsabit County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

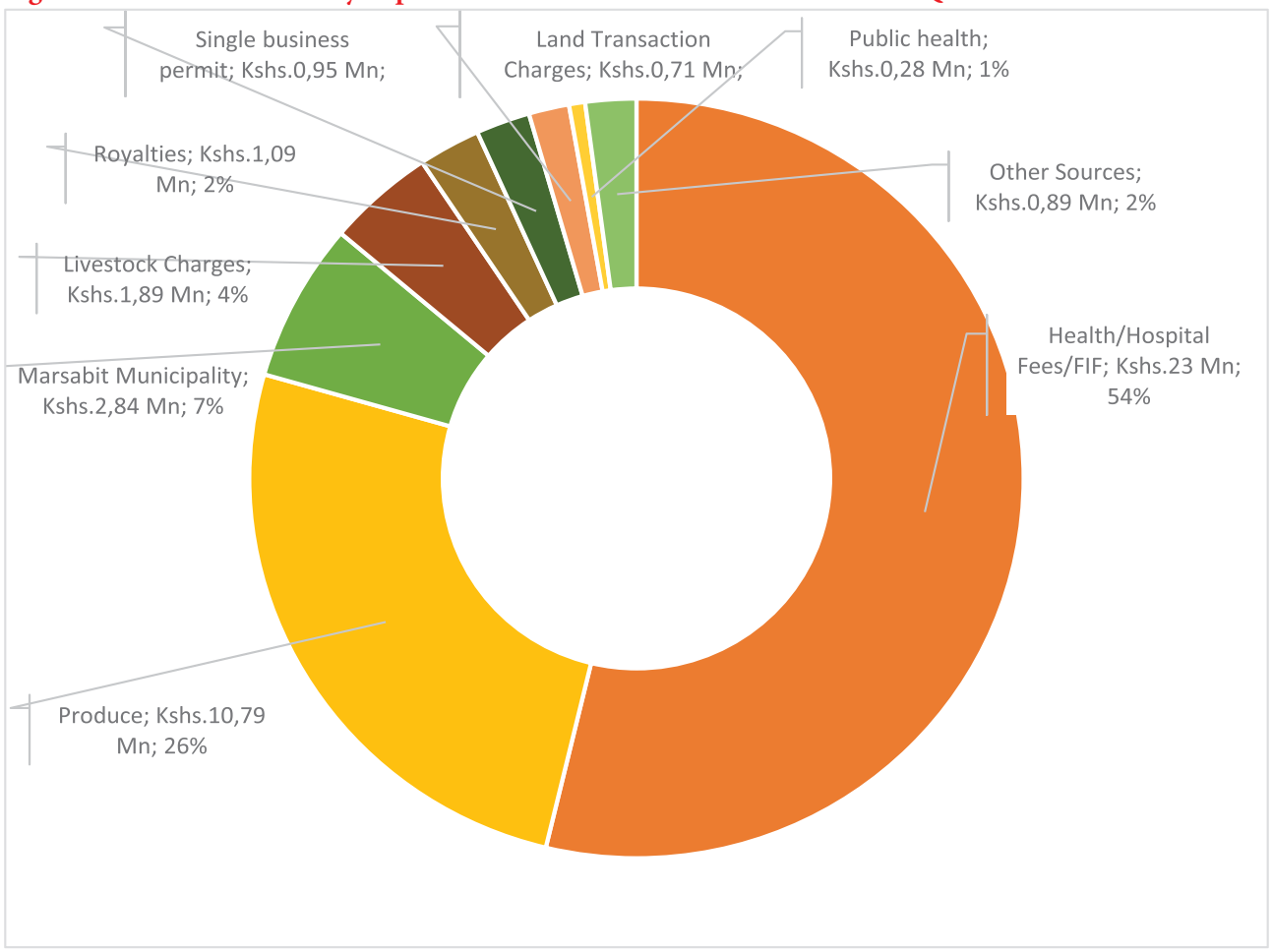


Source: *Marsabit County Treasury*

During the First Quarter of FY 2025/26, the County receivedKshs.42.06 million from its revenue sources, including FIF. This amount was an increase of 27 per cent compared to Kshs.33.16 million realised in a similar period in FY 2024/25, and was 16 per cent of the annual target and 3 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to various mobilisation strategies applied by the County Government. The revenue streams that contributed the most to OSR receipts are shown in Figure 143.

Figure 143: Marsabit County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Marsabit County Treasury

As shown in Figure 143, the highest revenue stream, at Kshs.22.61 million, was from Hospital Fees (FIF), accounting for 55 per cent of the total OSR receipts. The County Government has not automated any revenue streams.

3.25.3 Revenue Arrears/ Receivables

As of 1st July 2025, the County did not report any revenue arrears.

3.25.4 Borrowing by the County

Marsabit County Executive & Assembly did not report any credit facility with any commercial bank(s).

3.25.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.55 billion from the CRF account during the reporting period, which comprised Kshs.345.34 million (22 per cent) for development programmes and Kshs.1.21 billion (78 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.15 billion was allocated towards employee compensation, and Kshs.48.4 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 64 per cent was for domestic travel and 2 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.31.04 million and included Kshs.6.67 million for the County Executive and Kshs.24.37 million for the County Assembly. The foreign exchequer totalled Kshs.0.81 million for the County Assembly only.

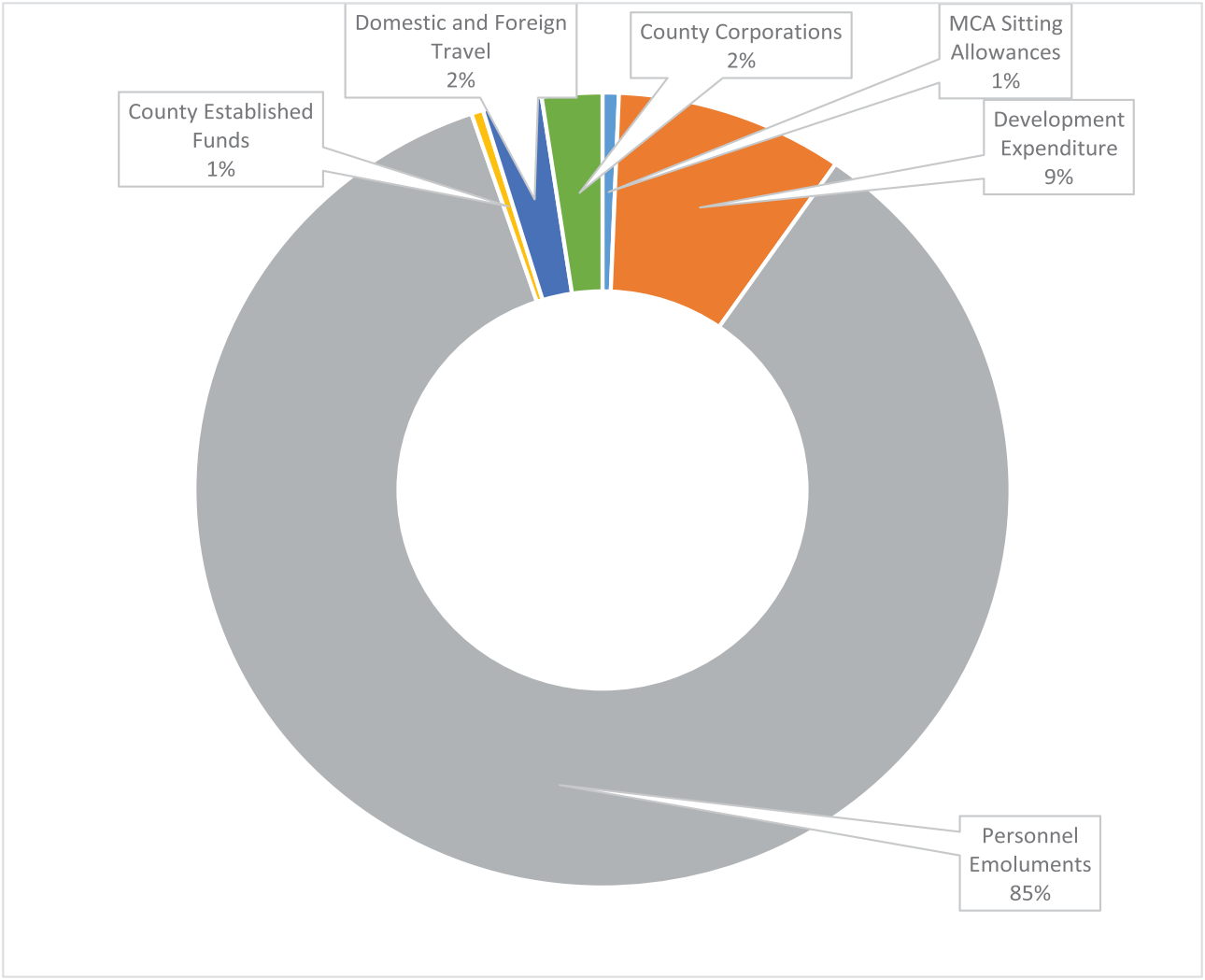
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.200.75 million.

3.25.6 Expenditure Review

The County spent Kshs.1.31 billion on development and recurrent programmes in the reporting period. The expenditure represented 85 per cent of the total funds released by the CoB. It comprised Kshs.122.48 million for development programmes and Kshs.1.19 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 3 per cent, while recurrent expenditure represented 18 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 144: Marsabit County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Marsabit *County Treasury*

As shown in Figure 144, the three highest expenditure categories were personnel emoluments, development expenditures, and Domestic and foreign travel, which accounted for 85 per cent, 9 per cent, and 2 per cent of total expenditure for the reporting period, respectively.

3.25.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.43 billion. This amount included Kshs.1.23 billion from the County Executive and Kshs.201.15 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.532.46 million for recurrent expenditures and Kshs.700.16 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.532.46 million, (100 per cent) for recurrent programmes only. On the other hand, the County Assembly settled trade payables worth Kshs.47.22 million, which included Kshs.27.18 million (58 per cent) for recurrent activities and Kshs.20.04 million (42 per cent) for development activities. The outstanding trade payables as of 30th September 2025 was Kshs.700.16 million for County Executive and Kshs.153.93 million for County Assembly. Table 3.293 provides additional details of trade payables.

Table 3.293: Marsabit County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	700,162,772	532,460,806	1,232,623,578
		County Assembly	170,600,000	30,552,699	201,152,699
		Total	**870,762,772**	**563,013,505**	**1,433,776,277**
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	355,080,358	532,460,806	887,541,164
		County Assembly	106,022,655	30,552,699	136,575,353
		Total	**461,103,012**	**563,013,505**	**1,024,116,517**
Amount paid in FY 2025/26	c	County Executive	-	532,460,806	532,460,806
		County Assembly	20,045,671	27,179,214	47,224,885
		Total	**20,045,671**	**559,640,020**	**579,685,691**
Trade Payables Incurred in First Quarter of FY 2025/26	d	County Executive	0	0	-
		County Assembly	0	0	-
		Total	-	-	-
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	700,162,772	-0	700,162,772
		County Assembly	150,554,329	3,373,485	153,927,814
		Total	**850,717,101**	**3,373,485**	**854,090,586**

Source: *Marsabit County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.887.54 million and Kshs.136.58 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs.532.46 million for the Executive and Kshs.47.22 million for the Assembly.

Table 3.294 and Table 3.295 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.854.09 million.

Table 3.294: Marsabit County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**0**	1,199,000	156,772,314	542,191,457	**700,162,772**
Recurrent Trade Payables (Goods & Services)	-	-	-	-	**0**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	-	**0**
Recurrent Trade Payables (Staff Claims)	-	-	-	-	**0**
Total Recurrent Trade Payables	0	0	0	0	**0**
Total Trade Payables	0	1,199,000	156,772,314	542,191,457	700,162,772
% of Total		**0.2%**	**22.4%**	**77.4%**	**100%**

Source: *Marsabit County Treasury*

Table 3.294 shows that 77 per cent of the Executive payables are aged over 3 years, and 22 per cent are aged 2-3 years. The Executive is advised to apply FIFO when settling existing bills.

Table 3.295: Marsabit County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	76,807,405	73,746,924	0	0	150,554,329
Recurrent Trade Payables (Goods & Services)	-	-		-	-
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	3,373,485	-	-	-	**3,373,485**
Recurrent Trade Payables (Staff Claims)	-	-	-	-	-
Total Recurrent Trade Payables	3,373,485	0	0	0	**3,373,485**
Total Trade Payables	**100,226,561**	**53,701,253**	**0**	**0**	**153,927,814**
% of Total	**65%**	**35%**			**100%**

Source: *Marsabit County Treasury*

3.25.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.05 billion for compensation of employees, Kshs.6.67 million for operations and maintenance, and Kshs.102.44 million for development activities. Similarly, the County Assembly spent Kshs.105.71 million on compensation of employees, Kshs.31.29 million on operations and maintenance, and Kshs.20.04 million on development activities, as shown in Table 3.296.

Table 3.296: Marsabit County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,915,492,554**	**741,494,088**	**1,054,028,982**	**137,010,658**	**18**	**18**
Compensation of Employees	3,539,777,939	355,343,000	1,047,358,782	105,712,893	30	30
Operations and Maintenance	2,375,714,615	386,151,088	6,670,200	31,297,765	0	8
Development Expenditure	**3,432,353,860**	**240,600,000**	**102,436,432**	**20,045,671**	**3**	**8**
Total	**9,347,846,414**	**982,094,088**	**1,156,465,414**	**157,056,329**	**12**	**16**

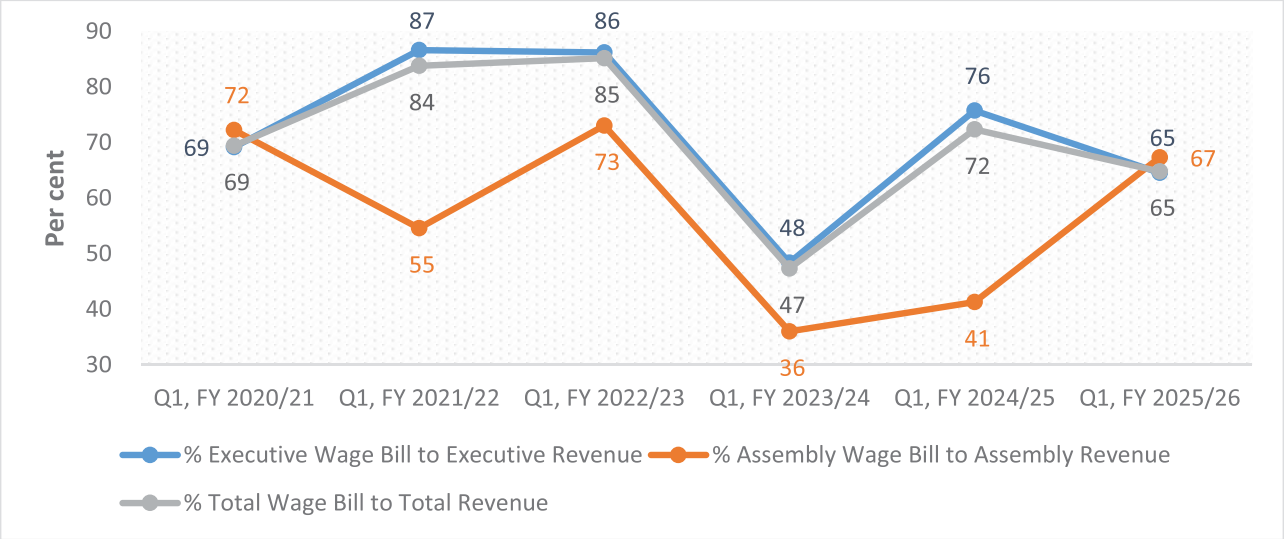
Source: *Marsabit County Treasury*

3.25.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.15 billion. The percentage of compensation of employees to revenue was 65 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.887.78 million reported in a similar period in FY 2024/25. Of this total, Kshs.471.33 million related to the Health Sector employees, which accounted for 41 per cent of the overall employees' compensation. The increase in employee compensation was a result of trade payables (June 2025 payroll for both the County Executive and the County Assembly) paid in the first quarter of FY 2025-2026, as per the trade payables action plan.

Figure 145 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 145: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Marsabit County Treasury*

As shown in Figure 145, the County Executive apportioned 65 per cent of its first-quarter FY 2025/26 revenue to employee compensation, while the Assembly allocated 67 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period

Further analysis indicated that PE costs amounting to Kshs.1.15 billion were processed through the Human Resource Information System (HRIS). In contrast, only Kshs.241,800 was processed through manual payroll, which accounted for less than one per cent of the total PE cost.

The manual payroll comprised top-up allowances for security personnel, as shown in Table 3.297.

Table 3.297: Breakdown of Marsabit County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Top-up Allowances for Security Officers	241,800.00
	Total	**241,800.00**

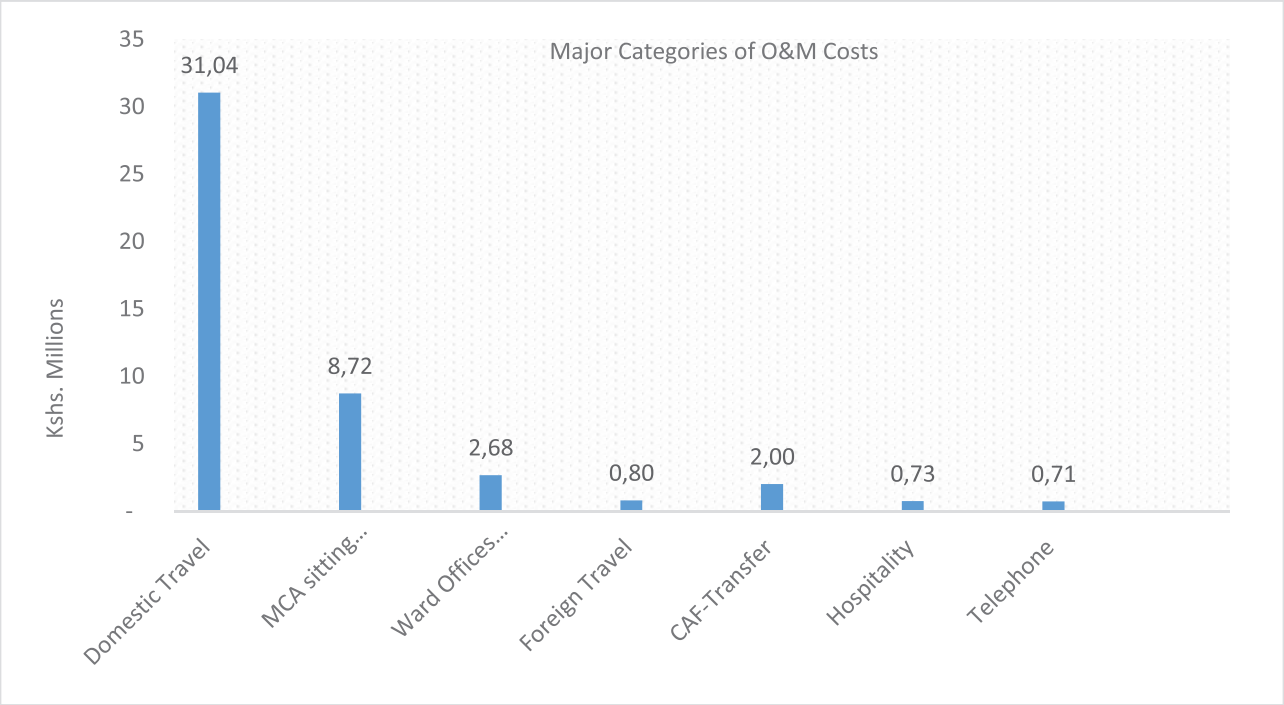
Source: Marsabit County Treasury

The County Assembly spent Kshs.8.72 million on committee sitting allowances for the 33 MCAs against the annual budget allocation of Kshs.30 million. The average monthly sitting allowance was Kshs.88,124 per MCA. The County Assembly has 20 House Committees.

3.25.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.37.96 million on operations and maintenance, representing a decrease of 140 per cent compared to FY 2024/25, when the County spent Kshs.90.08 million. Figure 146 summarises the Operations and Maintenance expenditure by major categories.

Figure 146: Marsabit County, Operations and Maintenance Expenditure by Major Categories



Source: *Marsabit County Treasury*

3.25.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.271 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Further, the County allocated Kshs.70.00 million to the Emergency Fund (less than one per cent of the total budget) contrary to Section 110 of the PFM Act, 2012. Table 3.298 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.298: Performance of Marsabit County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Scholarship Fund	2018	201,000,000	Nil	0	802,800,000	No
	Emergency Fund	2014	70,000,000	NIL	NIL	826,999,240	No
	Car Loan Executive	2014	NIL	NIL	NIL	34,000,000	No
	Mortgage- Executive	2014	NIL	NIL	0	121,000,000	No
	Enterprise Fund	2014	NIL	NIL	NIL	30,000,000	No
	Total		**271,000,000**			**1,814,799,240**	
		County Assembly Established Funds					
	Car and Mortgage Loan Scheme for Staff	13th Jan 2019	Nil	Nil	6,400,000	141,570,671	NO
	Marsabit County Assembly Car Loan and Mortgage –Members	28th April 2014	Nil	Nil	Nil	259,000,000	NO
	Total				**6,400,000**	**400,570,671**	

Source: *Marsabit County Treasury*

During the reporting period, the CoB did not receive any of the quarterly financial reports from all Fund Administrators, as indicated in Table 3.298, contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that the administration costs of all active Funds were below the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Marsabit County Assembly Car Loan and Mortgage Fund for Members, the Enterprise Fund and the Car and Mortgage Loan Fund for Executives had lapsed. Consequently, the CoB will not be able to approve any requests for withdrawals to support the operations of the funds.

3.25.12 County Corporations

The County has two County Corporations, which were allocated Kshs.109.71 million in FY 2025/26. Their total expenditure for the review period amounted to Kshs.32.31 million, as shown in Table 3.299.

Table 3.299: Performance of Marsabit County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Marsabit Municipality	109,707,946.80	32,309,300.00	32,309,300.00	232,758,336.10
	Marsabit Water and Sewerage Company Limited	-	N/A	-	114,098,745.00
	Total	**109,707,946.80**	**32,309,300.00**	**32,309,300.00**	**346,857,081**

Source: *Marsabit County Treasury*

3.25.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.0.80 million incurred by the County Assembly only. Expenditure on foreign travel is summarised in Table 3.300.

Table 3.300: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly	1	26th October- 3rd November 2025	Attending an exchange program on empowering legislative Administration for County Assemblies clerks	France	467,628
County Assembly	1	26th October- 3rd November 2025	Attending an exchange program on empowering legislative Administration for County Assemblies clerks	Spain	333,032
Total					800,660

Source: Marsabit County Treasury and Marsabit County Assembly

3.25.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.22.62 million as FIF, which was 19 per cent of the annual target of Kshs.120.00 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has, however, not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.22.20 million, as shown in Table 3.301.

Table 3.301: Marsabit County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 4 Hospital	4	173,496,000.00	22,204,040.00	13
	Total		**173,496,000.00**	**22,204,040.00**	**13**

Source: *Marsabit County Treasury*

3.25.15 Development Expenditure

In the review period, the County reported spending Kshs.122.48 million on development programmes, representing a decrease of 4 per cent compared to FY 2024/25, when the County spent Kshs.127.69 million. Table 3.302 summarises the development projects with the highest expenditure in the reporting period.

The decline in development expenditure was attributed to a delay in shareable revenue and changes in the procurement platform.

Table 3.302: Marsabit County, List of Development Projects with the Highest Expenditure

NO.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1	County Assembly	Chambers Structured cabling works	County Assembly	28/11/2025	72,500,000	12,388,411	51,453,781.75	71
2	County Assembly	Hansard System Works-Installation	County assembly	28/11/2025	27,605,141	7,707,259	17,348,954.00	63
	Donor Funded Projects							
1	Urban Development	Kenya Urban Support Programme - UDG	Marsabit		32,309,300	32,309,300	32,309,300	80%
2	Agriculture	Food Systems Resilience Project	County Wide		70,127,132	70,127,132	70,127,132	100

Source: *Marsabit County Treasury*

As of 30 September 2025, the County did not report any stalled development projects.

3.25.16 Budget Performance by Department

Table 3.303 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.303: Marsabit County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer (%)		Budget Absorption	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	741.49	240.60	137.01	20.10	130.88	20.05	96	100	18	8
County Executive	458.10	150.00	75.18	-	79.54		106	0	17	0
Finance & Economic Planning	579.95	700.00	84.06	-	84.79		101	0	15	0
Agriculture, Livestock & Fisheries	302.16	1,001.31	72.20	161.22	70.16	70.13	97	43	23	7
County Public Service Board	103.38	5.00	18.27	-	19.42		106	0	19	0

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer (%)		Budget Absorption	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Skill Development, Youth & Sports	651.20	91.20	102.78	-	101.68		99	0	16	0
County Health Services	2,154.78	202.73	476.83	-	471.33		99	0	22	0
Administration, Coordination & ICT	790.43	416.15	82.87	-	78.27		94	0	10	0
Energy, Lands & Urban Development	246.46	183.30	30.86	32.31	32.20	32.31	104	100	13	18
Roads & Public Works	125.48	142.08	30.67	83.51	27.76		91	0	22	0
Water, Environment & Natural Resources	175.03	487.79	46.31	48.30	45.98		99	0	26	0
Trade, Industry & Enterprise Development	107.41	4.10	24.99	-	24.67		99	0	23	0
Tourism, Culture & Social Services	185.64	48.70	19.45	-	18.23		94	0	10	0
Office of the County Attorney	24.98	-	-				0	0	0	0
Office of the County Secretary	10.50	-	-				0	0	0	0
Total	**6,656.99**	**3,672.95**	**1,201.47**	**345.44**	**1,184.91**	**122.48**	**99**	**35**	**18**	**3**

***Source**: Marsabit County Treasury*

Analysis of expenditure by departments shows that the Department of Energy, Lands & Urban Development recorded the highest absorption rate of development budget at 18 per cent, followed by the County Assembly at 8 per cent. The Department of Energy, Lands & Urban Development had the highest percentage of recurrent expenditure to budget at 26 per cent, while the Department of Tourism, Culture & Social Services had the lowest at 9 per cent.

3.25.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Urban Development Services in the Department of Physical Planning and Urban Development at 39 per cent, Crop Development and Management in the Department of Agriculture and Livestock Development at 26 per cent, and County Assembly, Infrastructure Improvement at 12 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General Administration, Planning and Support Services in the Department of Agriculture and livestock development at 32 per cent, General Administration, Planning and Support Services in the Department of Education at 29 per cent, General Administration, Planning and Support Services in the Department of Health Services at 26 per cent, and General administration planning and Support Services in the departments of Road and Public work at 22 per cent of the budget allocation.

3.25.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County government operated 112 accounts with commercial banks, including 95 accounts for Health Facilities, four accounts for Vocational Training Centres, five accounts for Established Funds, two revenue accounts, one special purpose account (for additional allocations), two imprest accounts, one development operational account, and two deposit accounts.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening all the commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.25.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 28th October 2025.
ii. The underperformance of own-source revenue at Kshs.19.45 million against an annual target of Kshs.150 million, representing 13 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Kshs.122.48 million on development activities, achieving a 3 per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Marsabit County Assembly Car Loan and Mortgage Fund for Members, the Enterprise Fund and the Car and Mortgage Loan Fund had lapsed, making them ineligible for further withdrawals.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Scholarship Fund, Emergency Fund, Car Loan and Mortgage—Executive Fund, Marsabit County Assembly Car Loan and Mortgage –Member and staff were not submitted to the CoB as of 15th October 2025.
vi. High level of trade payables, which amounted to Kshs.854.09 million as of 30 September 2025. Further, the County Treasury failed to adhere to the payment plan for trade payables.
vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
viii. In the FY2025/26 reporting period, health facilities were owed a combined total of Kshs.51.4 million across the two schemes—SHIF and the defunct NHIF. The persistent delay in remitting approved claims undermines hospitals' ability to generate and utilise revenue at source as intended, thereby constraining their capacity to fund critical operations, procure essential medical supplies, and deliver quality healthcare services.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
viii. *The SHA should expedite the settlement of all outstanding claims owed to health facilities, including those carried over from the defunct NHIF. Timely payment of these claims is crucial to enable health facilities to generate and utilise revenue at source, as per the Facilities Improvement Financing Act.*

3.26. County Government of Meru

3.26.1 Overview of FY 2025/26 Budget

The Meru County Approved Budget for FY 2025/26 is Kshs.16.02 billion. It comprises Kshs.6.22 billion (39 per cent) and Kshs.9.79 billion (61per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.2.10 billion (15 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.97 billion and a recurrent budget of Kshs.13.92 billion. The increase in the budget was primarily attributed to the rise in unspent funds and additional allocations.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.10.55 billion (66 per cent), additional allocations of Kshs.2.37 million (15 per cent), a cash balance of Kshs.1.26 million (8 per cent) brought forward from FY 2024/25, and Kshs.1.84 billion (11 per cent) to be receivedas own-source revenue. A breakdown of the additional allocations is shown in Table 3.304.

3.26.2 Revenue Performance

During the first Quarter of FY 2025/26, the County receivedKshs.3.18 billion in revenue. This amount represented an increase of 15 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.93 million. The total revenue consisted of Kshs.1.69 billion from the equitable share of revenue raised nationally, additional allocations from the national government and development partners of Kshs.0.00 million, as well as own-source revenue (OSR) collection of Kshs.286.23 million. Additionally, the County had a cash balance of Kshs.1.21 million from FY 2024/25. The total OSR collection of Kshs.286.23 million included Facilities Improvement Financing (FIF) of Kshs.216.23 million, and Kshs.70.00 million from other OSR sources. Table 3.304 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.304: Meru County, Revenue Performance in FY 2025/26

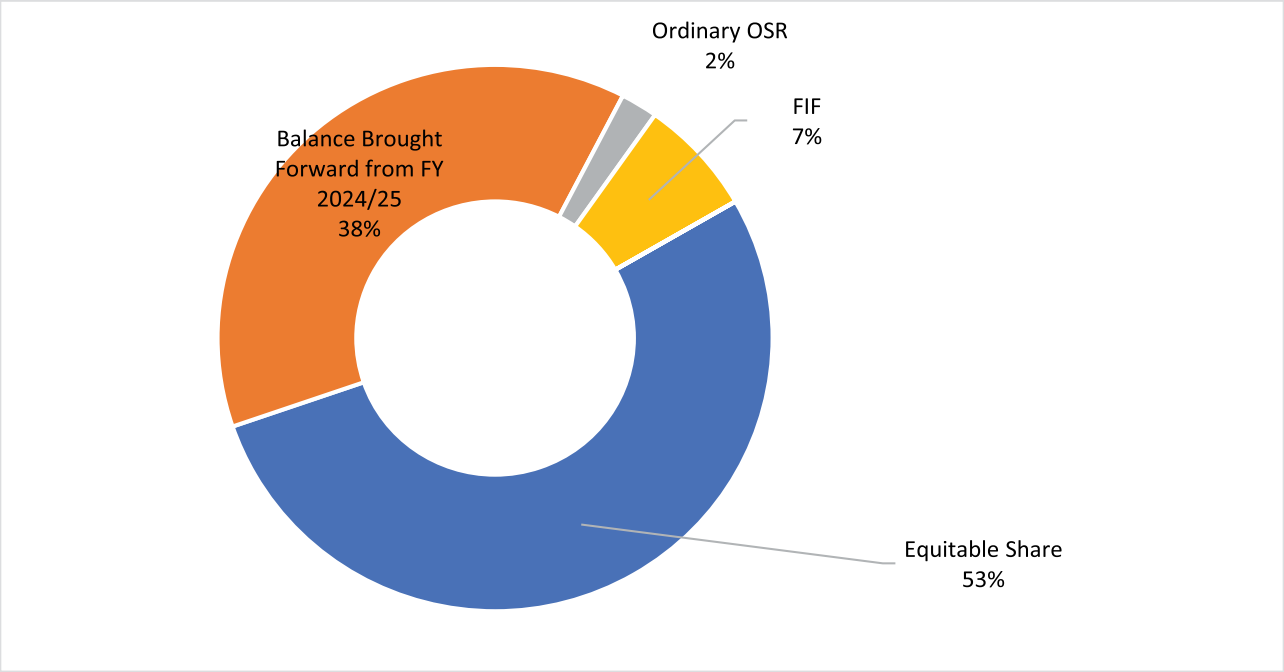
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	**10,553,946,059**	**1,689,584,600**	**16**
Subtotal		**10,553,946,059**	**1,689,584,600**	16
B	**Equalisation Fund Disbursement**	**0**	**0**	-
Subtotal		**0**	**0**	-
C	**Additional Allocations**			
1	World Bank for the national agricultural value chain development project (NAVCDP)	317,733,229.00	-	0
2	IFAD Loan for Aquaculture Business Development Project (ABDP)	23,306,984.00	-	0
3	Danida	12,382,500.00	-	0
4	World Bank Emergency Locust Response Project (ELRP)	-	-	-
5	Kenya Devolution Support Programme(KDSP II)-Recurrent	75,000,000.00	-	0
6	World Kenya Informal Settlement Improvement Project-KISIP II	-	-	-
7	World Credit Financing Locally-Led Climate Action	453,456,351.00	-	0
8	World Bank KUSP (Kenya Urban Support Programme)-UIG	30,840,700.00	-	0
9	World Bank KUSP (Kenya Urban Support Programme)-UDG	458,222,663.00	-	0
10	Kenya Agricultural Business Development Projects (KABDP)	10,918,919.00	-	0
11	Kenya Devolution Support Programme(KDSP II)-Development	371,006,111.00	-	0
12	Kenya Roads Board- Fuel Levy 2024/25	284,617,467.66	-	0
13	Kenya Roads Board- Fuel Levy 2025/26	284,617,467.66	-	0
14	County Basic Salary Arrears	43,915,785.00	-	0
Subtotal		**2,366,018,177.32**	**-**	**0**

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
D	**Ordinary Own Source Revenue (OSR)**			
1	Cess	122,016,150.00	19,014,533.00	16
2	Parking fees	104,419,796.00	13,695,881.00	13
3	Single business permit	226,901,372.00	9,943,409.00	4
4	Market fee	51,779,748.00	8,063,292.00	16
5	Building plans	43,384,796.00	4,967,208.00	11
6	Outdoor adverts. & Signboard	85,515,640.00	3,951,470.00	5
7	Land Rates	97,402,625.00	2,535,577.00	3
8	House rent/Stall rent	19,736,220.00	2,209,938.00	11
9	Slaughterhouse fees	8,939,431.00	1,141,920.00	13
10	Weight and Measures	2,991,643.00	779,600.00	26
11	Impounding fees & Fines	2,282,349.00	722,701.00	32
12	Plot Rent	5,210,247.00	503,006.00	10
13	Application fees	508,435.00	447,700.00	88
14	Transfer & Subdivision fee	2,341,254.00	171,000.00	7
15	Libray fees	1,421,772.00	114,860.00	8
16	Audit Fees/Sacco registration	1,850,399.00	110,100.00	6
17	Meat Inspection and Veterinary Services	1,694,867.00	106,900.00	6
18	Toilet's fee	884,014.00	104,330.00	12
19	Sale of County Documents.	361,418.00	56,000.00	15
20	Income from County properties/Estates	286,582.00	33,000.00	12
21	Fire section fee	155,185.00	29,000.00	19
22	Refuse collection fee	974,603.00	7,000.00	1
23	Surrender of Imprest/Salary	14,937,371.00	3,438.00	0
24	Burial permit (MTRH)	4,083.00	1,600.00	39
Subtotal		**796,000,000.00**	**68,713,463.00**	**9**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	615,300,000.00	123,886,162.25	20
2	Defunct NHIF	-	-	-
3	Other FIFs Sources	410,200,000.00	92,348,374.00	23
Subtotal		**1,025,500,000.00**	**216,234,536.25**	**21**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	1,257,299,197.80	1,205,504,417.23	96
2	County Executive Refunds to CRF	64,055.95	64,055.95	100
3	County Assembly Refunds to CRF	82.40	82.40	100
Subtotal		**1,257,363,336.15**	**1,205,568,555.58**	**96**
H	**Other Sources of Revenue**			
1	Kaguru ATC	20,000,000.00	1,283,218.00	6
Sub-Total		**20,000,000.00**	**1,283,218.00**	6
Grand Total		**16,018,827,572.47**	**3,181,384,372.83**	20

Source: *Meru County Treasury*

Figure 147 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 147: Meru County Composition of Each Shilling Receivedin the First Quarter of FY 2025/26

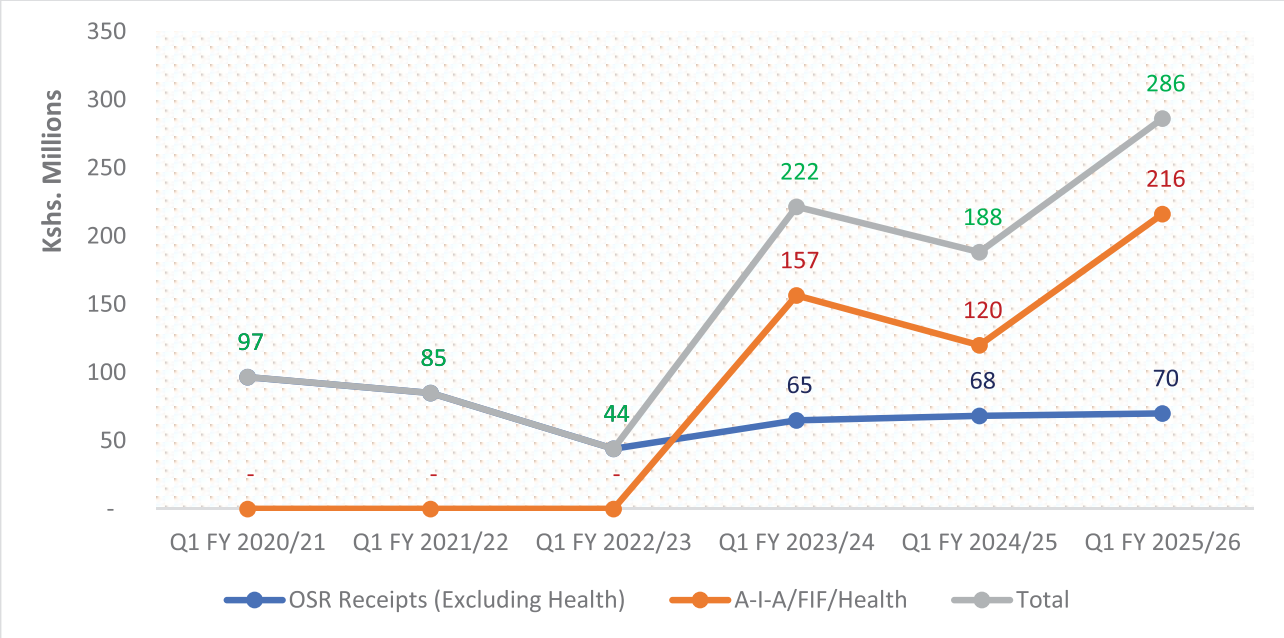


Source: *Meru County Treasury*

The equitable share of revenue raised nationally, the balance brought forward, and OSR contributed 53 per cent, 38 per cent, and 9 per cent, respectively, of the total receipts for the reporting period.

Figure 148 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 148: Meru County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

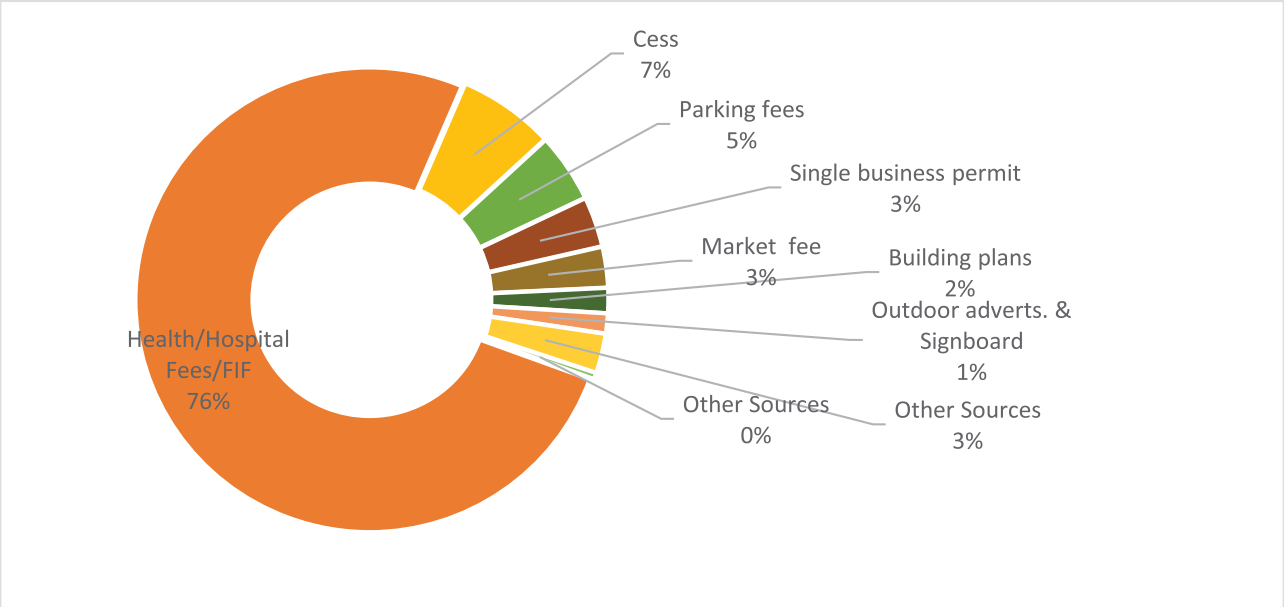


Source: *Meru County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.286.23 million from its revenue sources, including FIF. This amount was an increase of 53 per cent compared to Kshs.188 million realised in a similar period in FY 2024/25, and was 16 per cent of the annual target and 17 per cent of the equitable revenue share disbursed.

The revenue streams that contributed the most to OSR receipts are shown in Figure 149.

Figure 149: Meru County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Meru County Treasury

As shown in Figure 149, the highest revenue stream, at Kshs.216.23 million, was from Health/Hospital Fees/FIF, accounting for 76 per cent of the total OSR receipts. The County Government indicated that it has automated 22 revenue streams out of 24.

3.26.3 Revenue Arrears

As of 30 September 2025, the County did not report any revenue arrears.

3.26.4 Borrowing by the County

During the review period the County did not disclose any borrowings.

3.26.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.63 billion from the CRF account during the reporting period, which comprised Kshs.265.52 million (16 per cent) for development programmes and Kshs.1.37 billion (84 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.22 billion was towards employee compensation and Kshs.147.32 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 2 per cent was for domestic travel and nil for foreign travel. The domestic travel exchequer amounted to Kshs.2.55 million which was entirely incurred by the County Executive.

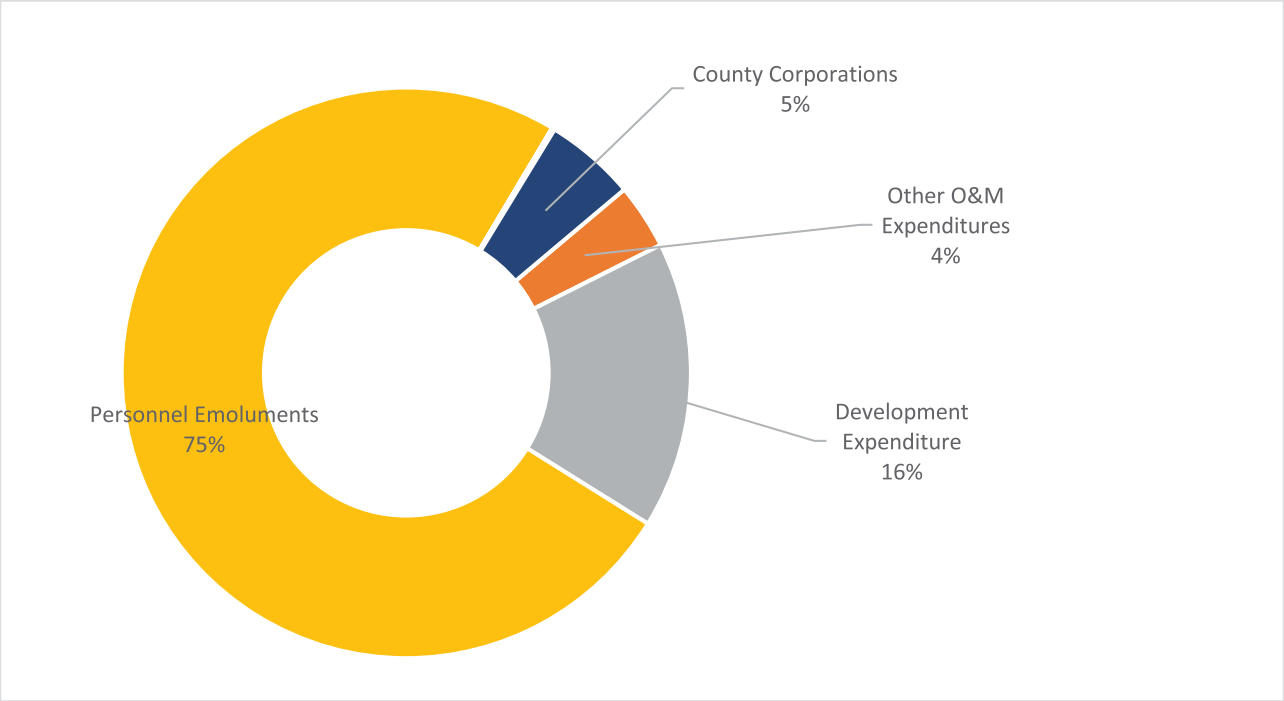
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.839.15 million.

3.26.6 Expenditure Review

The County spent Kshs.1.85 billion on development and recurrent programmes in the reporting period. The expenditure represented 113 per cent of the total funds released by the CoB. It comprised Kshs.265.52 million for development programmes and Kshs.1.58 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 4 per cent, while recurrent expenditure represented 16 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 150: Meru County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Meru *County Treasury*

As shown in Figure 150, the three highest expenditure categories were Personnel Emoluments, Development Expenditure, and County Corporations, which contributed 75 per cent, 16 per cent, and 5 per cent of total expenditure for the reporting period, respectively.

3.26.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.85 billion. This amount included Kshs.1.79 billion from the County Executive and Kshs.60.02 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.995.63 million for recurrent expenditures and Kshs.792.60 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.561.55 million, comprising Kshs.403.60 million (72 per cent) for recurrent programmes and Kshs.157.94 million (28 per cent) for development programmes. On the other hand, the County Assembly did not settle any trade payables for recurrent activities and development activities. The outstanding trade payables as of 30th September 2025 was Kshs.1.23 billion for the County Executive and Kshs.60.02 million for County Assembly. Table 3.305 provides additional details of trade payables.

Table 3.305: Meru County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	792,601,182	995,628,807	1,788,229,988
		County Assembly	-	60,018,581	60,018,581
		Total	792,601,182	1,055,647,388	1,848,248,570
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	450,752,316	678,551,428	1,129,303,744
		County Assembly	-	60,018,581	60,018,581
		Total	450,752,316	738,570,009	1,189,322,325
Amount paid in FY 2025/26	c	County Executive	157,942,551	403,603,488	561,546,039
		County Assembly		-	-
		Total	157,942,551	403,603,488	561,546,039

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Trade Payables Incurred in First Quarter of FY 2025/26	d	County Executive			-
		County Assembly			-
		Total	-	-	-
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	**634,658,631**	**592,025,319**	**1,226,683,950**
		County Assembly	**-**	**60,018,581**	**60,018,581**
		Total	**634,658,631**	**652,043,900**	**1,286,702,531**

Source: *Meru County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.1.13 billion and Kshs.60.02 million, respectively, in the first quarter of FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs.561.55 million for the Executive and nil for the Assembly.

Table 3.306 and Table 3.307 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.29 billion.

Table 3.306: Meru County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**372,996,816**	**102,141,629**	**87,530,304**	**71,989,882**	**634,658,631**
Recurrent Trade Payables (Goods & Services)	306,054,811	49,631,715	54,704,974	6,913,541	**417,305,041**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	171,738,978			**171,738,978**
Recurrent Trade Payables (Staff Claims)	2,981,300				**2,981,300**
Total Recurrent Trade Payables	309,036,111	221,370,693	54,704,974	6,913,541	592,025,319
Total Trade Payables	**682,032,927**	**323,512,322**	**142,235,278**	**78,903,423**	**1,226,683,950**
% of Total	**56%**	**26%**	**11%**	**6%**	**100%**

Source: *Meru County Treasury*

Table 3.307: Meru County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	-	-	-	-	-
Recurrent Trade Payables (Goods & Services)	7,226,388				**7,226,388**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	18,601,323				**18,601,323**
Recurrent Trade Payables (Staff Claims)	34,190,870				**34,190,870**
Total Recurrent Trade Payables	**60,018,581**	-	-	-	**60,018,581**
Total Trade Payables	**60,018,581**	-	-	-	**60,018,581**
% of Total	**3%**	**0%**	**0%**	**0%**	**3%**

Source: *Meru County Treasury*

The County's trade payables as of 30th September 2025 show that 6 per cent are over 3 years, 11 per cent are between 2 and 3 years, 25 per cent are between 1 and 2 years, and 58 per cent are under 1 year. The County treasury is expected to pay the trade payables on the FIFO basis and ensure compliance with the Trade Payables Action Plan.

3.26.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.14 billion for employee compensation, Kshs.363.55 million for operations and maintenance, and Kshs.265.52 million for development activities. Similarly, the County Assembly spent Kshs.78.35 billion on compensation of employeesand nil for operations and

maintenance and development expenditures, as shown in Table 3.308.

Table 3.308: Meru County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**8,731,039,744**	**1,063,230,263**	**1,504,441,688**	**78,348,510**	**17**	**7**
Compensation to Employees	4,978,103,069	541,792,826	1,140,890,343	78,348,510	23	14
Operations and Maintenance	3,752,936,675	521,437,437	363,551,345	-	10	0
Development Expenditure	**6,094,291,462**	**130,266,104**	**265,515,180**	**-**	**4**	**0**
Total	**14,825,331,206**	**1,193,496,367**	**1,769,956,868**	**78,348,510**	**12**	**7**

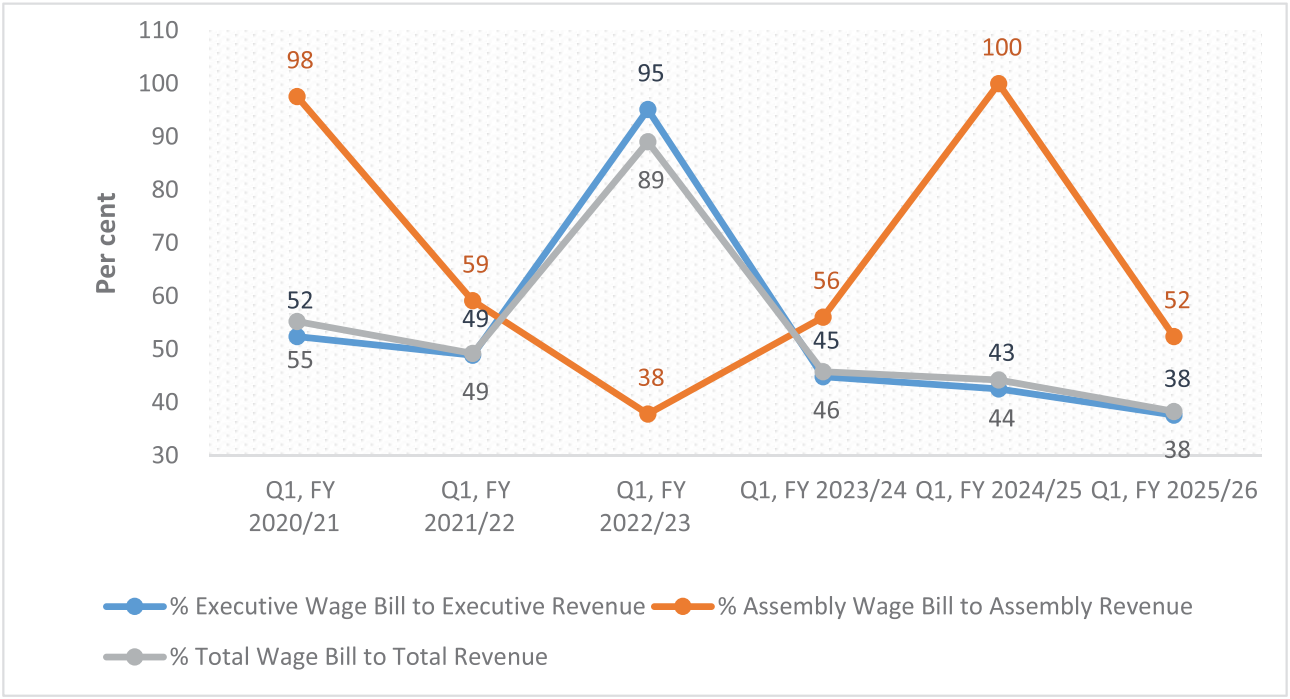
***Source**: Meru County Treasury*

3.26.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.22 million. The compensation-to-revenue ratio was 38 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.834.45 million reported in a similar period in FY 2024/25. Of this total, Kshs.834.67 billion related to the Health Sector employees, which accounted for 68 per cent of the overall employees' compensation.

Figure 151 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 151: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Meru County Treasury

As shown in Figure 151, the County Assembly apportioned 52 per cent of its revenue to employee compensation, while the Executive apportioned 38 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis indicated that PE costs amounting to Kshs.1.18 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.35.34 million was processed through manual payroll, which accounted for 3 per cent of the total PE cost.

The manual payroll comprised top-up allowances for security personnel, gratuity remittances to pension schemes for contract staff, LAPTRUST/LAPFUND Pension Contributions, Gratuity for contract staff, Telephone Allowance, and Fringe benefit tax, as shown in Table 3.309.

Table 3.309: Breakdown of Meru County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
1.	Top-up Allowances for security officers	252,000
2.	LAPTRUST/LAPFUND Pension Contributions	5,070,388
3.	Gratuity for contract staff	28,123,917
4.	Telephone Allowance	705,000
5.	Fringe benefit tax	1,183,814
	Total	**35,335,119**

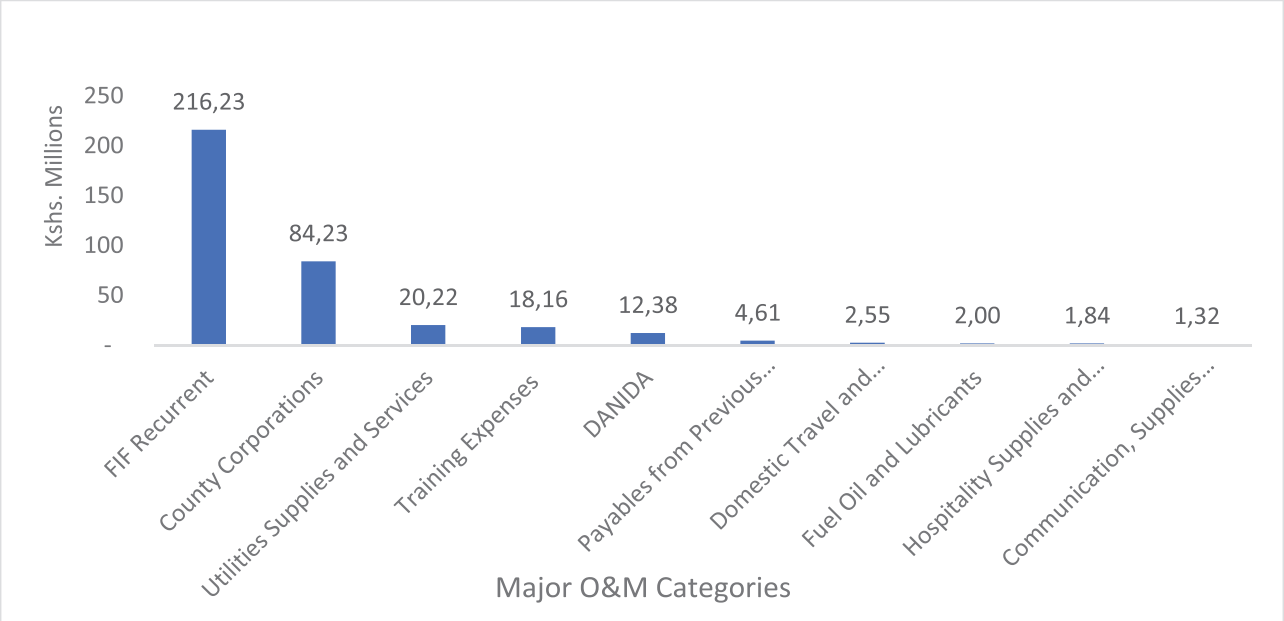
Source: Meru County Treasury

The County Assembly did not spend on committee sitting allowances for the 69 MCAs, despite a budget of Kshs.71.04 million. There are 27 House Committees.

3.26.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.363.55 million on operations and maintenance, representing an increase of 398 per cent compared to FY 2024/25, when the County spent Kshs.72.95 million. Figure 152 summarises the Operations and Maintenance expenditure by major categories.

Figure 152: Meru County, Operations and Maintenance Expenditure by Major Categories



Source: *Meru County Treasury*

1.1.3 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.150.00 million to County-Established funds in FY 2025/26, or 1 per cent of the County's overall budget. Further, the County did not allocate any funds to the Emergency Fund contrary to Section 110 of the PFM Act, 2012. Table 3.310 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.310: Performance of Meru County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs.)	Submission of Financial Statements (Yes/No)
County Executive Established Funds							
1.	Meru County Retention and Enhancement Fund	2018	50,000,000	0		986,483,479	No
2.	Meru County Executive Staff Housing	2015	70,000,000	0	2,905,386	798,207,820	Yes
County Assembly Established Funds							
3.	County Assembly of Meru Staff Car Loan and Housing Scheme Fund	2015	30,000,000	0	2,251,184	285,914,906	Yes
4.	County Assembly of Meru Members Car Loan and Housing Scheme Fund	2017	0	0	3,798,450	482,392,800	yes
	Total		**150,000,000**	**0**	**8,955,020**	**2,552,999,005**	

Source: Meru *County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from the Meru County Retention and Enhancement Fund Administrator, as indicated in Table 3.310, contrary to the requirement of Section 168 of the PFM Act, 2012. The County did not disclose any administration costs of Funds above the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly.

3.26.11 County Corporations

The County has six County corporations, which were allocated Kshs.636.53 million in FY 2025/26. Their total expenditure for the review period amounted to Kshs.84.23 million, as shown in Table 3.311.

Table 3.311: Performance of Meru County Corporations in the First Quarter of FY 2025/2 6

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1.	Meru Investment Corporation	22,064,500	2,285,392	2,285,392	253,123,368
2.	Meru Microfinance Corporation	79,933,763	18,861,975	18,861,975	612,106,952
3.	Meru County Revenue Board	397,527,156	61,802,548	61,802,548	1,782,716,962
4.	Agricultural Training Centre-Kaguru	45,000,000	1,283,218	1,283,218	88,364,134
5.	Meru Youth Service	92,000,000	-	-	234,800,000
5.	Meru County Alcoholic Drinks Control Board	-	-	-	
	Total	**636,525,419**	**84,233,133**	**84,233,133**	**2,971,111,416**

Source: *Meru County Treasury*

3.26.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.2.55 million, which the County Executive entirely incurred. Neither the County Executive nor the Assembly reported expenditure on foreign travel.

3.26.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.216.23 million as FIF, which was 21 per cent of the annual target of Kshs.1.03 billion. The collected amount was retained and utilised at source in line with the Meru County Health Services Act 2016. The County has, however, drafted regulations to operationalise the FIF Act of 2023. The Bill was submitted to the County Assembly for review and approval.

The expenditure by health facilities amounted to Kshs.216.23 million, as shown in Table 3.312.

Table 3.312: Meru County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	615,300,000.00	123,886,162.25	20
2.	Level 4 Hospital	3	241,254,465.72	59,876,926.10	25
3.	Level 3 Facility	12	150,038,096.28	29,428,244.90	20
4.	Level 2 Facility	11	18,907,438.00	3,043,203.00	16
	Total		**1,025,500,000.00**	**216,234,536.25**	21

Source: *Meru County Treasury*

3.26.14 Development Expenditure

In the review period, the County reported spending Kshs.265.52 million on development programmes, representing a decrease of 9 per cent compared to FY 2024/25, when the County spent Kshs.290.45 million. Table 3.313 summarises the development projects with the highest expenditure in the reporting period.

Table 3.313: Meru County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1	Finance, Economic Planning & ICT	Payment To Craft Silicon for Revenue Collection Fees	County-wide		39,154,483	39,154,483	49,154,483	126%
2	Water Irrigation, Environment & Climate Change	Payment For Drilling & Equipping of Kamuya Community Borehole in Njia Ward	Njia	Jun-25	4,999,057	4,999,057	4,999,057	100%
3	Lands, Physical Planning, Urban Development & Public Works	Payment For Construction Works for Meru Municipality Yard Fencing	Meru Municipality	Jun-25	9,418,574	9,418,574	9,418,574	100%
4	Water Irrigation, Environment & Climate Change	Payment For Solarisation of Mt.Kenya Community Borehole In Kisima Ward	Kisima	Jun-25	4,998,915	4,998,915	4,998,915	100%
5	Roads Transport & Energy	Payment For Road Opening, Grading & Drainage Works Of Kambi Safi-Isiolo Amwathi Ward	Amwathi Ward	Jun-25	4,995,937	4,995,937	4,995,937	100%

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
6	Roads Transport & Energy	Payment For Routine Maintenance of Roads In Kiungone Location In Abogeta West Ward	Abogeta West Ward	Jun-25	4,946,240	4,946,240	4,946,240	100%
7	Roads Transport & Energy	Payment For Grading, Road Opening And Drainage Works In Igembe East Ward	Igembe East Ward	Jun-25	4,683,921	4,683,921	4,683,921	100%
8	Roads Transport & Energy	Payment For Installation of Highmast & Low Mast Floodlights In Ntima West & Mikinduri Ward	Mikinduri Ward	Jun-25	4,398,288	4,398,288	4,398,288	100%
9	Roads Transport & Energy	Payment For Road Opening, Grading & Gravelling Works of Kilili-Murumune -Kiguma Road in Athiru Gaiti Ward	Athiru Gaiti Ward	Jun-25	4,203,703	4,203,703	4,203,703	100%
10	Roads Transport & Energy	Payment For Road Opening, Grading& Drainage Works of Lairiri -Kaa Biathaba in Amwathi Road	Amwathi Ward	Jun-25	4,198,826	4,198,826	4,198,826	100%
	Donor Funded Projects							
1	Roads Transport & Energy	Grading And Gravelling of Gachuuru-Kathwene	Kathwene	Aug-25	4,999,853	4,999,853	4,999,853	100%
2	Roads Transport & Energy	Grading And Gravelling of Githongo Mkt-Githongo Boys-Forest	Abothuguchi West	Aug-25	4,999,957	4,999,957	4,999,957	100%
3	Roads Transport & Energy	Grading And Gravelling of CDF-Mariene-Kibari		Aug-25	4,999,957	4,999,957	4,999,957	100%
4	Roads Transport & Energy	Grading, Gravelling and Drainage of Mariri Nursery -Kinisa	Ntunene	Aug-25	4,999,807	4,999,807	4,999,807	100%
5	Roads Transport & Energy	Grading, Gravelling and Drainage of St.Mary's -Annex, Maua Pcea Church-Stadium, Kawiria -Kwa Kainga, Kings of Kings Church-Kwa Mirari, Kilalai Rwongone-Nyambene Hospital	Maua	Aug-25	4,999,889	4,999,889	4,999,889	100%
6	Roads Transport & Energy	Grading, Gravelling and Drainage of Kwa Kainga-Inono-Kithetu Market	Naathu	Aug-25	4,999,916	4,999,916	4,999,916	100%
7	Roads Transport & Energy	Grading, Gravelling and Drainage of Mukuri-Makirii	Kiegoi	Aug-25	4,999,396	4,999,396	4,999,396	100%

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
8	Roads Transport & Energy	Road Opening And Grading Of Kathurine Mkt-Ruriene Pry-Aciotene Juction, Kaboune-Gachua-Market-Mbuta Lamine	Nyaki East	Aug-25	4,998,340	4,998,340	4,998,340	100%
9	Roads Transport & Energy	Grading and Gravelling of Jctn B103-Kambakia Police Station Loop Road, Off Elsa-Kambakia Road, Kinoru Forest Gate-St. Angelic Girls-Winners Chapel	Municipality	Aug-25	4,999,732	4,999,732	4,999,732	100%
10	Roads Transport & Energy	Grading And Gravelling of Kwa Kaira Shopping Centre-M' Richoro -Leslink-Karuru Junction	Mbeu	Aug-25	4,999,958	4,999,958	4,999,958	100%

Source: *Meru County Treasury*

As of 30 September 2025, the County did not report any stalled development projects.

3.26.15 Budget Performance by Department

Table 3.314 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.314: Meru County, Budget Allocation and Absorption Rate by Department

Department	Approved Budget Allocation (Kshs. Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,063.23	130.27	78.35	-	78.35	-	100	-	7	0
Office of the Governor	187.91	-	2.54	-	2.54	-	100	-	1	-
Finance, Economic Planning and ICT	1,145.74	325.58	113.09	39.15	113.09	39.15	100	100	10	12
Agriculture, Livestock & Fishery	65.12	587.49	1.28	-	1.28	-	100	-	2	0
Water & Irrigation	67.77	1,064.26	-	12.94	-	12.94	-	100	0	1
Education, Technology, Gender, Culture & Social Development	252.03	171.08	-	-	-	-	-	-	0	0
Health Services	966.90	947.20	30.40	-	246.63	-	811	-	26	0
Lands, Physical Planning, Urban Development & Public Works	136.77	783.71	-	9.42	-	9.42	-	100	0	1
Public Service Administration & Legal Affairs	5,395.99	425.90	1,140.89	-	1,140.89	-	100	-	21	0
Roads, Transport & Energy	86.50	1,527.47	-	199.49	-	199.49	-	100	0	13

Department	Approved Budget Allocation (Kshs. Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Investment, Industrialisation, Tourism & Co-op Development	27.74	199.00	-	4.02	-	4.02	-	100	0	2
Youth Affairs & Sports	351.85	62.59	-	0.50	-	0.50	-	100	0	1
County Public Service Board	46.71	-	-	-	-	-	-	-	0	-
TOTAL	**9,794.27**	**6,224.56**	**1,366.56**	**265.52**	**1,582.79**	**265.52**	116	100	16	4

Source: *Meru County Treasury*

Analysis of expenditure by departments shows that the Department of Roads, Transport & Energy recorded the highest absorption rate of development budget at 13 per cent, followed by the Department of Finance, Economic Planning and ICT at 12 per cent. The Department of Health Services had the highest recurrent expenditure-to-budget ratio at 26 per cent. At the same time, the Departments of Water & Irrigation, Education, Technology, Gender, Culture & Social Development, Lands, Physical Planning, Urban Development & Public Works, Roads, Transport & Energy, Trade, Investment, Industrialisation, Tourism & Co-op Development, Youth Affairs & Sports, and County Public Service Board reported nil absorption.

3.26.16 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Lands & Housing in the Department of Lands, Physical Planning, Urban Development & Public Works at 100 per cent, General Administration-Roads in the Department of Roads, Transport & Energy at 13 per cent, and Headquarters in the Department of Finance Economic Planning & ICT at 12 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Curative Health in the Department of Health Services at 29 per cent, Meru Microfinance Corporation in the Department of Finance Economic Planning & ICT at 24 per cent, Human Resource in the Department of Public Service Administration & Legal Affairs at 22 per cent, and Meru County Revenue Board at 16 per cent of the budget allocation.

3.26.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 27 accounts in commercial banks, including four accounts for Established Funds, 12 special-purpose accounts (additional allocations), one account for ECDE Development Fund, 1 for Meru School meals & Nutrition Program, 5 for County Corporations, 1 Salary Processing Account, 1 Retention Account, and two accounts for Operations Accounts.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of all commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.26.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received from 15th October to 24th October 2025.

ii. The underperformance of own-source revenue at Kshs.286.23 million against an annual target of Kshs.1.84 billion, representing 16 per cent of the financial year target.

iii. Low development performance in the review period as the County incurred Kshs.265.52 million on development activities, achieving a 4 per cent absorption rate.

iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Meru County Retention and Enhancement Fund were not submitted to the CoB as of 15 July 2025.

v. High level of trade payables, which amounted to Kshs.1.29 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.

vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*

ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*

iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.27. County Government of Migori

3.27.1 Overview of FY 2025/26 Budgetd

The Migori County Approved Budget for FY 2025/26 is Kshs.10.83 billion. It comprises Kshs.4.17 billion (39 per cent) and Kshs.6.66 billion (61 per cent) allocation an increase for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.438.92 million (4 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.44 billion and a recurrent budget of Kshs.6.95 billion. The increase in the budget was primarily attributed to the rise in equitable shareable revenues, additional allocations as outlined in the County Governments Additional Allocation Act,2025, and increased gross own source revenue target

The budget is to be financed from various revenue sources. These include the equitable share of revenue earned nationally, amounting to Kshs.8.39 billion (78 per cent), additional allocations of Kshs.1.68 billion (15 per cent), and Kshs.760 million (7 per cent) received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.315.

3.27.2 Revenue Performance

During the first quarter of FY 2025/26, the County received Kshs.1.71 billion in revenue. This amount represented an increase of 10 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.56 billion. The total revenue consisted of Kshs.1.42 billion from the equitable share of revenue received nationally, as well as additional allocations from the national government and development partners, in the amount of Kshs.42.14 million, as well as the own-source revenue (OSR) collection of Kshs.143.90 million. Additionally, the County had a cash balance of Kshs.105 million from FY 2024/25 that was not incorporated into the approved budget. The total OSR collection of Kshs.143.90 million included Facilities Improvement Financing (FIF) of Kshs.83.95 million, and Kshs.59.96 million from other OSR sources. Table 3.315 summarises the total revenue received by the County Government during FY 2025/26.

Table 3.315: Migori County, Revenue Performance in FY 2025/26

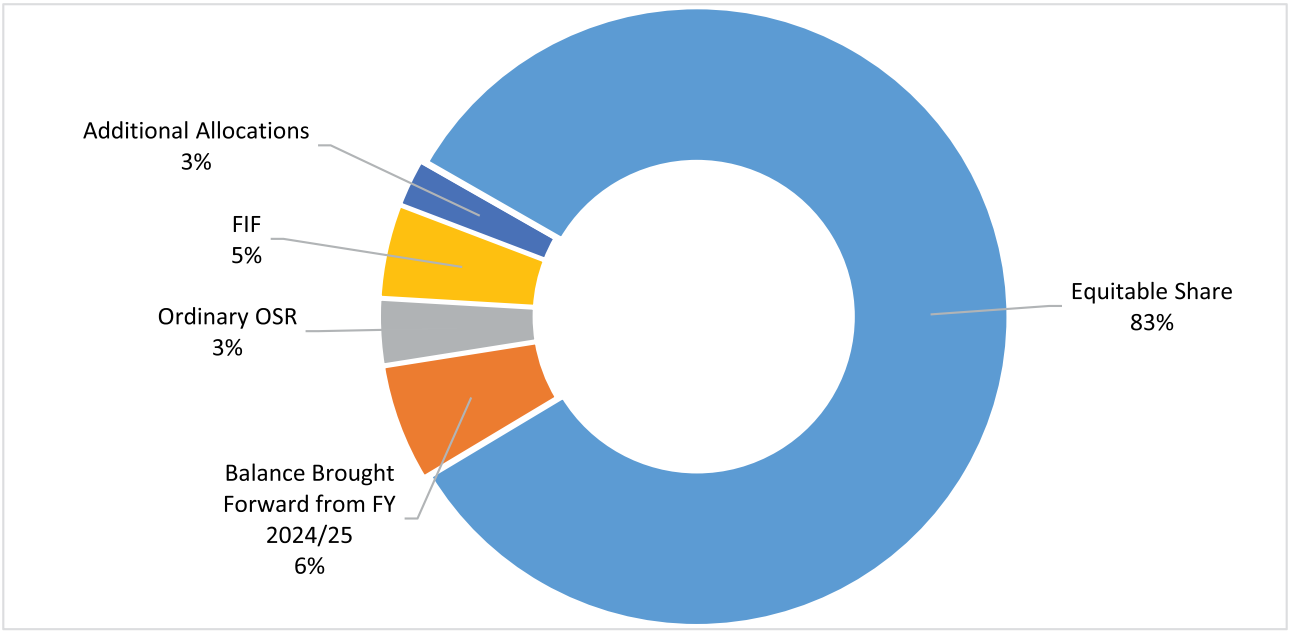
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	8,385,079,399	1,423,446,698	17
	Subtotal	**8,385,079,399**	**1,423,446,698**	**17**
B	**Equalisation Fund Disbursement**	-	-	-
	Subtotal	-	-	-
C	**Additional Allocations**			
1	DANIDA Grant (Universal Healthcare in Devolved System Program) to L1,L2 and L3 (40%)	15,247,500	10,432,500	68
2	DANIDA Grant (Universal Healthcare in Devolved System Program) Balance from FY 2023/24	12,358,500	-	-
3	IDA (World Bank) Credit for National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	-	-
4	EU Grant for Instrument for Devolution Advice and Support (IDEAS)	5,706,628	-	-
5	Sweden - Agricultural Sector Development Support Programme (ASDSP) II	1,120,452	-	-
6	KABDP SIDA	10,918,919	-	-
7	KABDP MOA&LD (Government of Kenya)	1,000,000	-	-
8	Livestock Value Chain Support Project	14,323,680	-	-
9	Climate Change - German Development Bank (KFW) - (FLLoCA -CCRI Grant)	200,000,000	31,710,872	16
10	Climate Change - IDA World Bank (FLLoCA)	11,000,000	-	-
11	Urban Institutional Grant (UIG)	35,000,000	-	-
12	Migori Municipality Urban Development Grant	54,181,008	-	-
13	Awendo Municipality Urban Development Grant	16,800,000	-	-
14	Rongo Municipality Urban Development Grant	16,800,000	-	-
15	Kehancha Municipality Urban Development Grant	16,800,000	-	-
16	Kenya Water and Sanitation (K-WASH) Program	199,874,000	-	-
17	National Agricultural Value Chain Development Project (NAVCDP)	149,121,357	-	-
18	Kenya Devolution Support Program II	390,000,000	-	-
19	Leasing of Medical Equipment	124,723,404	-	-
20	Fertilizer Subsidy	144,621,807	-	-
21	Aquaculture Business Development Project (ABDP)	13,617,785	-	-
22	Grant from National Government - Industrial Park (County Aggregation and Industrial Parks (CAIPs) Programme	186,500,000	-	-
23	Road Maintenance Fuel Levy	56,919,675	-	-
24	Allocation for Court fines	974,165	-	-
25	Allocation for Mineral Royalties	3,125,408	-	-
	Subtotal	**1,680,734,288**	**42,143,372**	**3**
D	**Ordinary Own Source Revenue (OSR)**			

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
1	Bus park Fees	45,449,870	7,255,650	16
2	Market Dues	49,541,270	7,186,991	15
3	Maize/Rice Cess	15,246,800	7,143,956	47
4	Tobacco Cess	12,197,400	6,723,418	55
5	Sugar Cane Cess	25,868,740	5,479,188	21
6	Single Business Permit	152,037,700	4,646,650	3
7	Cattle Auction/Slaughter Fees	24,394,900	3,691,652	15
8	Taxi/Car parking fees	9,351,300	2,908,972	31
9	Sand/Stone Cess	12,197,400	2,667,029	22
10	Other Ordinary Own Source Revenue Streams	156,714,620	11,570,784	7
Subtotal		**503,000,000**	**59,274,290**	**12**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	-	-	-
2	Defunct NHIF	-	-	-
3	Medical Service Fees	225,000,000	71,979,642	32
4	Public Health & Sanitation	25,000,000	11,968,371	48
Subtotal		**250,000,000**	**83,948,013**	**34**
F	**Other AIAs**			
1	Liquor Licensing Permits/Licenses	7,000,000	682,000	10
Subtotal		**7,000,000**	**682,000**	**10**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	-	104,067,038	-
2	County Executive Refunds to CRF	-	777,409	-
3	County Assembly Refunds to CRF	-	155,086	-
Subtotal		-	**104,999,533**	-
Grand Total		**10,825,813,687**	**1,714,493,906**	**16**

Source: *Migori County Treasury*

Figure 153 provides a detailed breakdown of revenues, showing the amount received for each shilling.

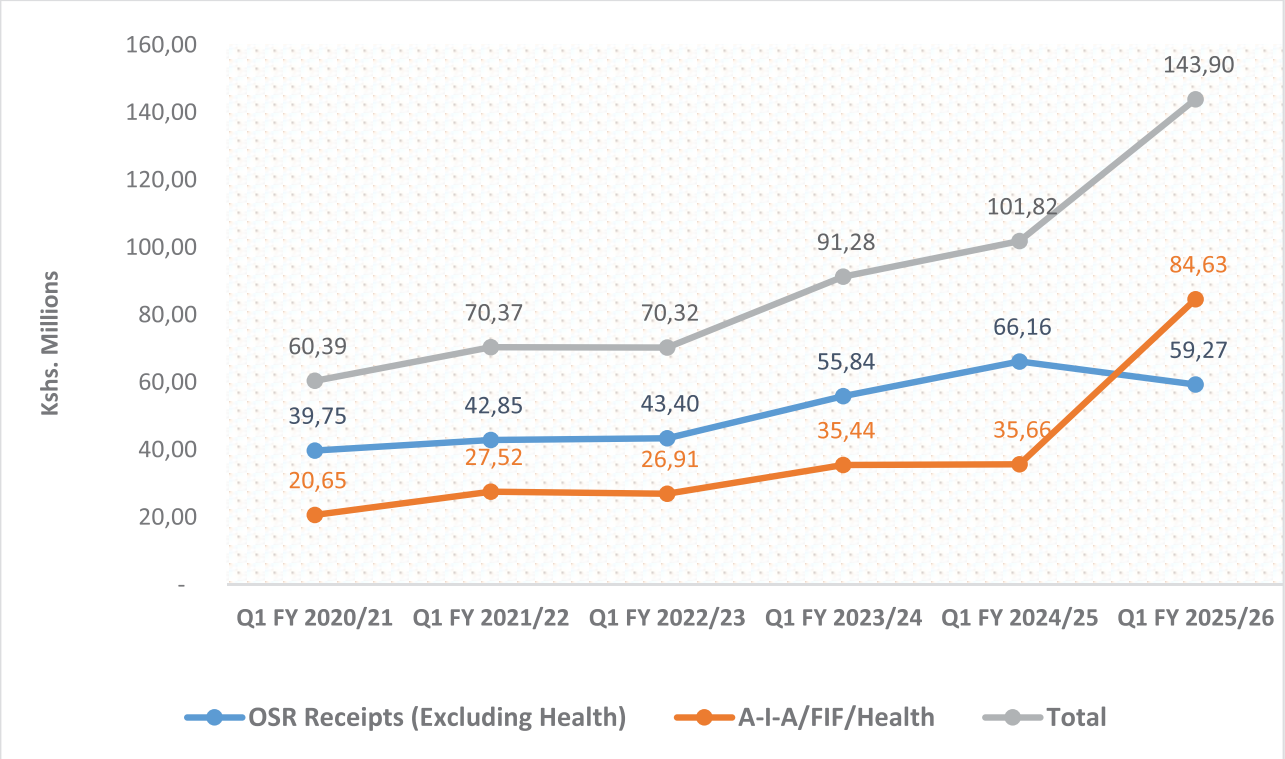
Figure 153: Migori County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Migori County Treasury*

The equitable share of revenue received nationally and gross own source revenues contributed 83 per cent and 8 per cent, respectively of the total revenues for the reporting period. Figure 154 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

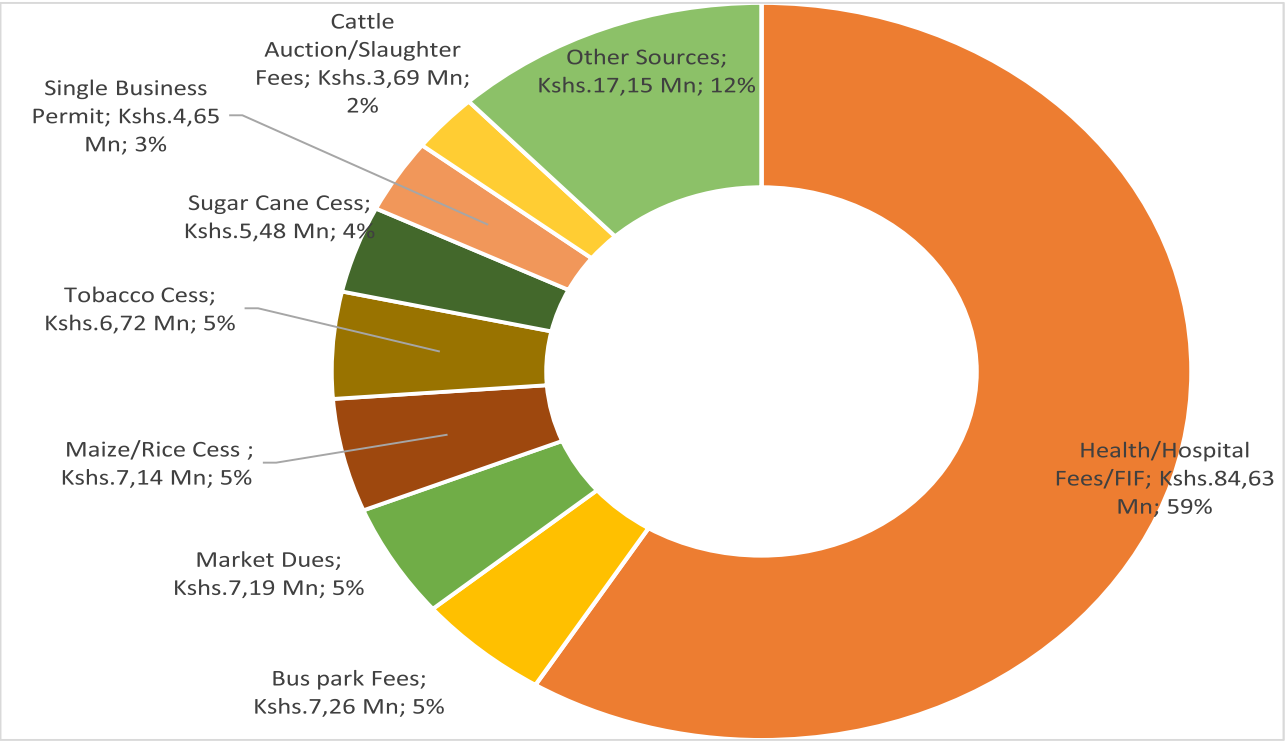
Figure 154: Migori County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Migori County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.143.90 million from its revenue sources, including FIF. This amount was an increase of 41 per cent compared to Kshs.101.82 million realised in a similar period in FY 2024/25, and was 19 per cent of the annual target and 10 per cent of the equitable revenue share disbursed. The increase is mainly attributed to the automation of F.I.F revenue streams and reimbursements from the Social Health Authority (SHA). The revenue streams that contributed the highest OSR revenues are shown in Figure 155.

Figure 155: Migori County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source*: Migori County Treasury*

As shown in Figure 155, the highest revenue stream, at Kshs.84.63 million, was from Hospital fees (F.I.F stream), accounting for 58 per cent of the total OSR receipts. The County Government indicated that it has automated 12 out of a total of 40 revenue streams.

3.27.3 Revenue Arrears/ Receivables

As of 1st July 2025, the County reported revenue arrears of Kshs.466.77 million, this amount increased to Kshs.1.18 billion as of 30th September 2025. Table 3.316 presents a breakdown of the County's revenue arrears.

Table 3.316: Migori County Revenue Arrears as of 30 September 2025

No.	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=(a-b-c+d)
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September,2025	-	-	-	755,134,876	755,134,876
	Sub-Total	-	-	-	**755,134,876**	**755,134,876**
B	**Ordinary Own Sources of Revenue**					
1	Cess	88,471,714	-	-	-	88,471,714
2	Land Rates	38,569,357	-	-	-	38,569,357
3	Single Business Permits (SBP)	143,131,760	-	-	-	143,131,760
4	Advertising	11,177,358	-	-	-	11,177,358
	Sub-Total	**281,350,189**	-	-	-	**281,350,189**
C	**Facility Improvement Fund (FIF)**					
1	SHIF	10,127,858	-	-	-	10,127,858
2	Defunct NHIF	175,293,172	-	-	-	175,293,172
	Sub-Total	**185,421,030**	-	-	-	**185,421,030**
Total		**466,771,219**	-	-	**755,134,876**	**1,221,906,095**

Source: Migori *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.1.22 billion, comprising Kshs.755.13 million (62 per cent) for equitable shareable revenues for September 2025, Kshs.281.35 million (23 per cent) for ordinary own source revenues and Kshs.185.42 million (15 per cent) for Facility Improvement Fund (F.I.F streams). The measures instituted by the County to collect outstanding arrears in FY 2025/26 include liaising with the National Treasury and the Social Health Authority (SHA), and enforcing County laws and imposing penalties on late defaulters.

3.27.4 Borrowing by the County

Neither the County Executive nor the Assembly engaged in credit facility or short-term borrowing with any commercial bank during the reporting period.

3.27.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.878.57 million from the CRF account during the reporting period, which comprised Kshs.38.57 million (4 per cent) for development programmes and Kshs.840.47 million (96 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.624.55 million was towards employee compensation and Kshs.215.92 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 15 per cent was for domestic travel and 1 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.31.60 million and included Kshs.7.95

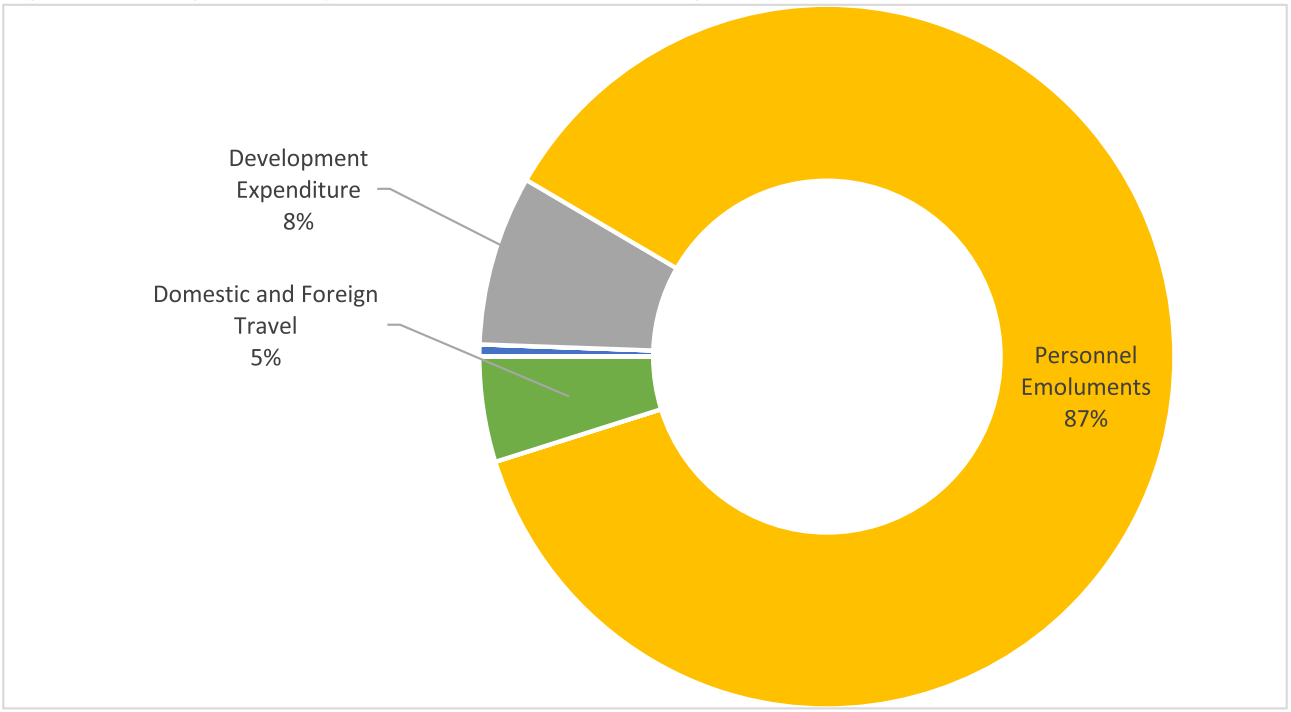
million for the County Executive and Kshs.23.65 million for the County Assembly. The foreign exchequer totalled Kshs.3.17 million for the County Executive.

As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.720.27 million.

3.27.6 Expenditure Review

The County incurred Kshs.952.81 million on development and recurrent programmes in the reporting period. The expenditure represented 108 per cent of the total funds released by the CoB. It comprised Kshs.56.24 million for development programmes and Kshs.896.57 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 1 per cent, while recurrent expenditure represented 13 per cent of the annual recurrent expenditure budget. Figure 156 provides a detailed breakdown of expenditure, showing the relative composition of each shilling incurred.

Figure 156: Migori County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Migori *County Treasury*

As shown in Figure 156, the three highest expenditure categories were Personnel emoluments, Development expenditure and Domestic and foreign travel costs contributing 66 per cent ,6 per cent and 4 per cent of total expenditure for the reporting period.

3.27.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.06 billion. This amount included Kshs.837.23 million from the County Executive and Kshs.220.92 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.475.87 million for recurrent expenditures and Kshs.361.36 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.38.10 million, which was entirely (100 per cent) for development programmes. Conversely, the County Assembly did not settle any trade payables during the reporting period. The outstanding trade payables as of 30th September 2025 was Kshs.799.13 million for the County Executive and Kshs.220.92 million for County Assembly. Table 3.317 provides additional details of trade payables.

Table 3.317: Migori County Trade Payables as of 30th September 2025

Details		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	361,359,348	475,866,142	837,225,490
		County Assembly	36,361,670	184,558,500	220,920,170
		Total	**397,721,018**	**660,424,642**	**1,058,145,660**
Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	340,197,408	-	340,197,408
		County Assembly	-	-	-
		Total	**340,197,408**	**-**	**340,197,408**
Amount paid in FY 2025/26	c	County Executive	38,096,222	-	38,096,222
		County Assembly	-	-	-
		Total	**38,096,222**	**-**	**38,096,222**
Trade Payables Incurred in First Quarter of FY 2025/26	d	County Executive	-	-	-
		County Assembly	-	-	-
		Total	**-**	**-**	**-**
Outstanding Trade Payables as of 30 September 2025	e=a-c*b	**County Executive**	323,263,126	475,866,142	799,129,268
		County Assembly	36,361,670	184,558,500	220,920,170
		Total	**359,624,796**	**660,424,642**	**1,020,049,438**

Source: *Migori County Treasury*

The County Executive submitted a trade payables payment plan, committing to pay Kshs.340.20 million and nil for County Assembly in FY 2025/26. The County Executive did not adhere to this payment plan, as it cleared only Kshs.38.10 million during the period under review. The County Assembly did not prepare a payment plan for trade payables, and it did not settle any trade payables during the period.

Table 3.318 and Table 3.319 present the ageing of the total outstanding payables as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.02 billion.

Table 3.318: Migori County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**91,915,370**	**73,311,184**	**152,414,191**	**5,622,375**	**323,263,120**
Recurrent Trade Payables (Goods & Services)	216,746,792	74,937,642	144,911,899	3,431,050	**440,027,383**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	9,382,608	24,804,931.00	1,651,220.00	-	**35,838,759**
Recurrent Trade Payables (Staff Claims)	-	-	-	-	-
Total Recurrent Trade Payables	**226,129,400**	**99,742,573**	**146,563,119**	**3,431,050**	**475,866,142**
Total Trade Payables	**318,044,770**	**173,053,757**	**298,977,310**	**9,053,425**	**799,129,262**
% of Total	**40%**	**22%**	**37%**	**1%**	**100%**

Source: *Migori County Treasury*

Table 3.318 shows that over 60 per cent of the County Executive's trade payables as of September 30, 2025, are two years old or less—40 per cent are under one year, and 22 per cent are between one and two years. Over half of this payables are recurrent in nature.

Table 3.319: Migori County Assembly Trade Payables Ageing Analysis as of 30 September 202

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	-	-	**18,506,275**	**17,855,395**	**36,361,670**
Recurrent Trade Payables (Goods & Services)	31,133,758	18,135,621	25,293,045	92,656,896	**167,219,320**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Trade Payables (Staff Claims)	6,400,000	10,939,180	-	-	**17,339,180**
Total Recurrent Trade Payables	**37,533,758**	**29,074,801**	**25,293,045**	**92,656,896**	**184,558,500**
Total Trade Payables	**37,533,758**	**29,074,801**	**43,799,320**	**110,512,291**	**220,920,170**
% of Total	**17%**	**13%**	**20%**	**50%**	**100%**

***Source**: Migori County Assembly Treasury*

Table 3.319 indicates that 70 per cent of the Assembly's payables are older than two years. This raises concerns about whether they are prioritising the settlement of older payables.

The County Executive and Assembly should strictly adopt the IBEC-approved trade payables action plan tracker templates to manage, track, and report their trade payables status, and adhere to a FIFO basis in settling outstanding trade payables.

3.27.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.545.93 million for compensation of employees, Kshs.246.76 million for operations and maintenance, and Kshs.56.24 million for development activities. Similarly, the County Assembly incurred Kshs.78.62 million on compensation of employees, Kshs.25.26 million on operations and maintenance, and it did not report any expenditure on development activities, as shown in Table 3.320.

Table 3.320: Migori County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,748,423,174**	**907,920,178**	**792,693,440**	**103,877,532**	**13.8**	**11.4**
Compensation of Employees	3,258,191,382	473,935,751	545,929,905	78,618,625	16.8	16.6
Operations and Maintenance	2,490,231,792	433,984,427	246,763,535	25,258,907	9.9	5.8
Development Expenditure	**4,119,470,335**	**50,000,000**	**56,236,422**	-	**1.4**	**0.0**
Total	**9,867,893,509**	**957,920,178**	**848,929,861**	**103,877,532**	**8.6**	**10.8**

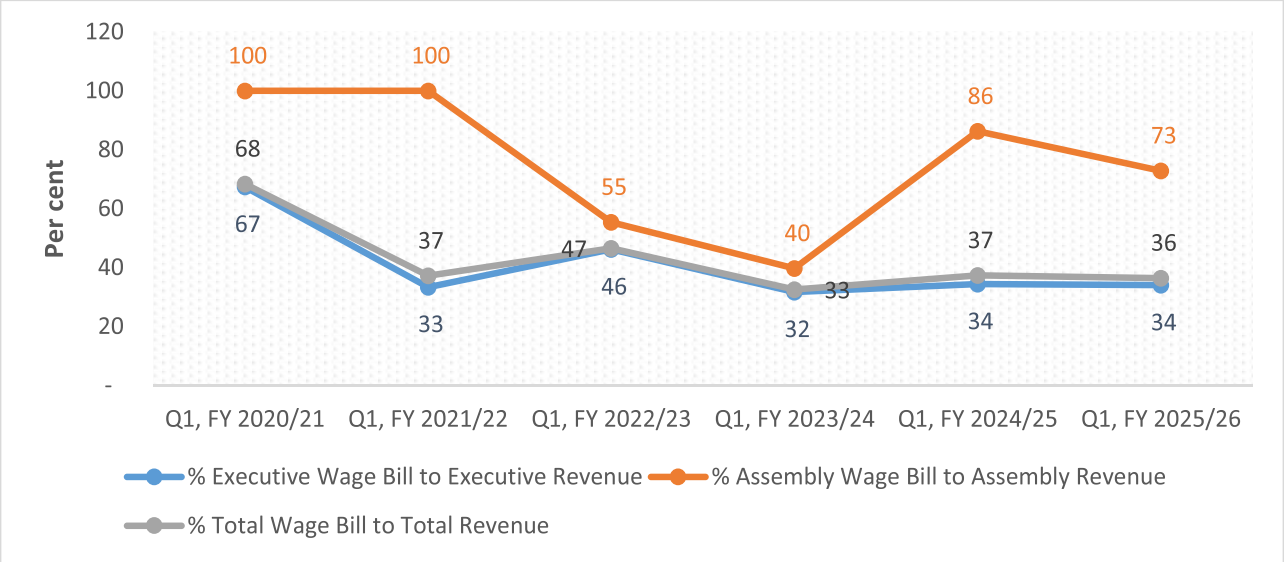
***Source**: Migori County Treasury*

3.27.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.624.55 million. The percentage of compensation of employees to revenue was 36 per cent of available revenue during the period of Kshs.1.7billion. This expenditure on employee compensation shows an increase of 7 per cent compared to the Kshs.583.84 million reported in a similar period of FY 2024/25. Of this total expenditure, Kshs.252.11 million related to the Health Sector employees, which accounted for 40 per cent of the overall employees' compensation.

Figure 157 shows the compensation trend of employees' expenditures as a percentage of total revenue earned from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 157: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



***Source**: Migori County Treasury*

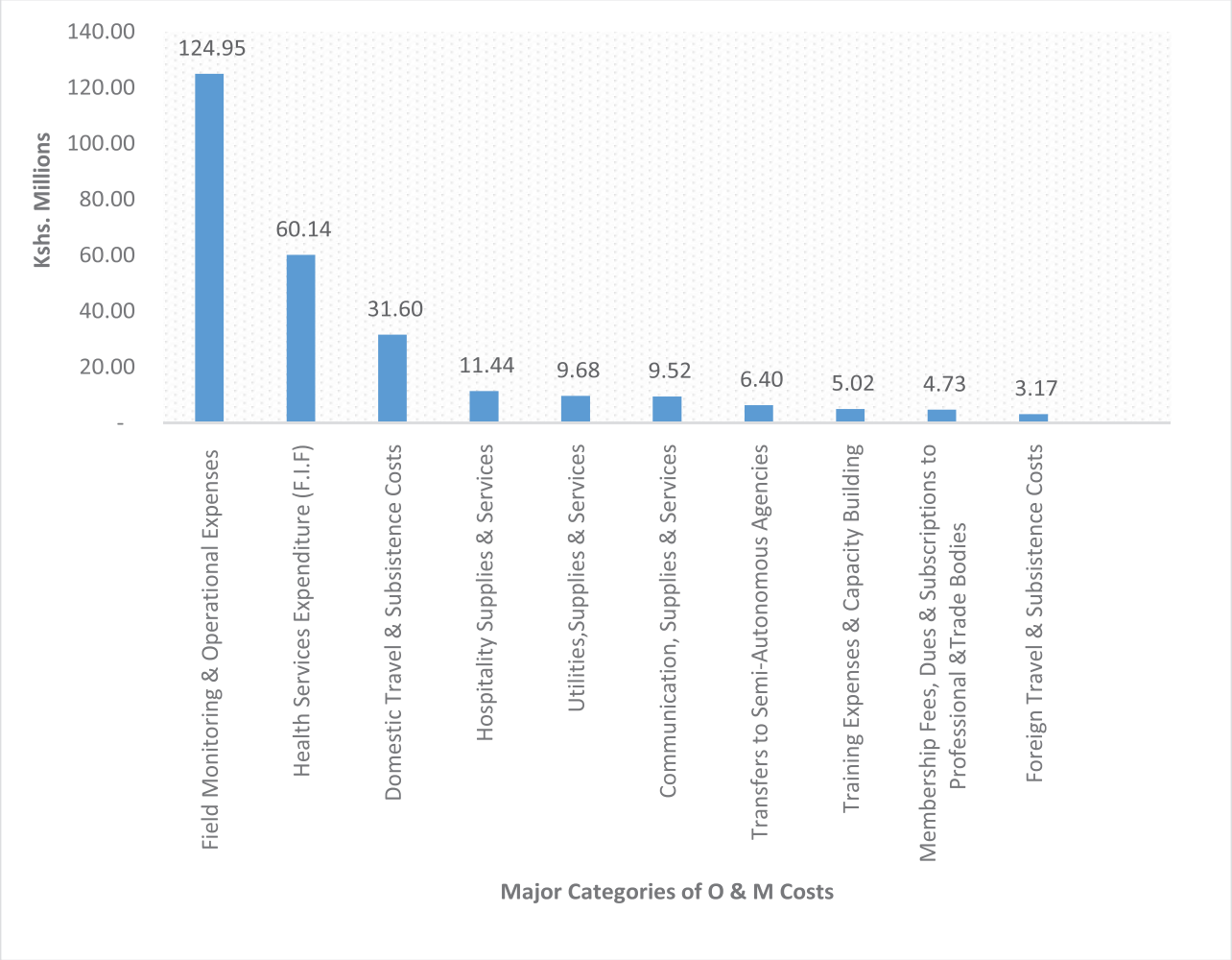
Figure 157 shows that the Assembly apportioned 73 per cent of their inflows in the first quarter of FY 2025/26 towards compensation of employees while Executive apportioned 34 per cent.

Further analysis indicated that the entire PE costs amounting to Kshs.624.55 million were processed through the Human Resource Information System (HRIS). The County Assembly incurred Kshs.4 million on committee sitting allowances for the 60 MCAs against the annual budget allocation of Kshs.44.33 million. The average monthly sitting allowance was Kshs.22,244 per MCA. The County Assembly has 27 House Committees.

3.27.10 Expenditure on Operations and Maintenance

During the reporting period, the County incurred Kshs.272.02 million on operations and maintenance, representing an increase of 101 per cent compared to a similar period of FY 2024/25, when the County incurred Kshs.135.45 million. Figure 158 summarises the Operations and Maintenance expenditure by major categories.

Figure 158: Migori County, Operations and Maintenance Expenditure by Major Categories



***Source**: Migori County Treasury*

3.27.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County did not make any budgetary appropriation to County-Established funds in FY 2025/26.Table 3.321 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.321: Performance of Migori County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in the First Quarter of FY 2025/26 (Kshs.)	Incurred Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative Disbursements to the Fund (Kshs.)	Submission of Financial Statements (Yes/No)
	County Executive Established Funds						
1.	Migori County Executive Car loans & House Mortgage Fund Scheme	December,2018	-	-	-	247,500,000	No
2.	Migori County Education Bursary Fund	January,2014	-	-	-	840,000,000	No
3.	Migori County Scholarships & Educational Benefits Fund	January,2014	-	-	-	279,000,000	No
4.	Migori County Alcoholic Drink Fund	September,2016	-	-	-	2,250,318	No

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in the First Quarter of FY 2025/26 (Kshs.)	Incurred Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative Disbursements to the Fund (Kshs.)	Submission of Financial Statements (Yes/No)
6.	Migori County SMEs Trade Development - INUA BIASHARA	March,2024	-	-	-	54,000,000	No
	County Assembly Established Funds						
7.	Migori County Assembly Car loans & House Mortgage Fund Scheme	October, 2015	-	-	-	236,000,000	No
	Total		-	-	-	1,658,750,318	

Source: *Migori County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from all the Fund Administrators as indicated in Table 3.321, contrary to the requirement of Section 168 of the PFM Act, 2012. The administration costs of the Funds are all pegged at a 3 per cent limit of the funded budget as sets in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the County Education Bursary Fund and the County Scholarships & Educational Benefits Fund had lapsed despite being in operation. Consequently, the CoB cannot approve any requests for withdrawals to support the operations of the lapsed funds.

3.27.12 County Corporations

The County has not established any new corporation although it owns only 20 per cent of the shares in Migori Water & Sanitation Company Limited. During the financial year 2025/26, the County did not appropriate any budget to finance and support the company's operations.

3.27.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.31.60 million and comprised Kshs.23.65 million incurred by the County Assembly and Kshs.7.95 million by the County Executive. Expenditure on foreign travel amounted to Kshs.3.17 million and was entirely incurred by the County Executive. Expenditure on foreign travel is summarised in Table 3.322.

Table 3.322: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Executive	3	19th August-30th August 2025	Attending the National Business League Conference	USA	2,285,789
	1	24th August- 1st September, 2025	Attending the 5th GACOPA International Conference	UK	888,990
Total	**4**				**3,174,779**

***Source**: Migori County Treasury*

3.27.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.83.95 million as FIF, which was 34 per cent of the annual target of Kshs.250 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The expenditure by the health facilities amounted to Kshs.60.14 million, as shown in Table 3.323.

Table 3.323: Migori County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Incurred Expenditure (Kshs.)	Absorption Rate (%)
1.	Level 5 Hospital	-	-	-	-
2.	Level 4 Hospital	16	210,000,000	56,802,718	27.0
3.	Level 3 Facility	19	13,000,000	1,120,435	8.6
4.	Level 2 Facility	138	27,000,000	2,216,132	8.2
	Total	**173**	**250,000,000**	**60,139,285**	**24.1**

Source: *Migori County Treasury*

3.27.15 Development Expenditure

In the review period, the County reported spending Kshs.56.24 million on development programmes, representing a decrease of 67 per cent compared to a similar period of FY 2024/25, when the County incurred Kshs.172.01 million. Table 3.324 summarises the development projects with the highest expenditure in the reporting period. The decline in development expenditure was attributed to the delay in the rollout of annual procurement plans.

Table 3.324: Migori County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount incurred in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1.	Roads, Transport, Public Works & Infrastructural Development	Construction of Access bridge to Ombasa Road	West Sakwa	30-Jun-25	21,112,226	21,112,226	21,112,226	100% complete
2.	Water and Energy	Extension of Nyamome Pipeline works in Oruba Ragana	Suna West	30-Jun-25	2,999,990	2,999,990	2,999,990	100% complete
3.	Health Medical Services	Supply & Installation of LPG system at Migori County Referral Hospital	Suna Central	30-Jun-25	2,999,890	2,999,890	2,999,890	100% complete
4.	Water and Energy	Supply & Delivery of 10,000 litres of UPVC water tanks	County Headquarters	30-Jun-25	2,599,852	2,599,852	2,599,852	100% complete
5.	Agriculture, Livestock, Veterinary Services, Fisheries & Blue Economy	Supply & Delivery of Maize Hybrid Seeds to Farmers	Suna Central	30-Jun-25	2,398,820	2,398,820	2,398,820	100% complete
6.	Health Medical Services	Construction of laundry unit at Migori County Referral Hospital	Suna Central	30-Jun-24	1,997,694	1,997,694	1,997,694	100% complete
7.	Water and Energy	Overhauling of Two (2) Pumping Sets	North Sakwa	30-Jun-25	1,995,500	1,995,500	1,995,500	100% complete
8.	Water and Energy	Equipping & Casing of Kadika Borehole	County Headquarters	30-Jun-25	1,992,250	1,992,250	1,992,250	100% complete

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount incurred in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	Donor Funded Projects							
9.	Agriculture, Livestock, Veterinary Services, Fisheries & Blue Economy	Assorted National Agricultural Value Chain Development programmes & Activities Implemented	County Wide	30-Sept-25	71538277	18,140,200	18,140,200	25% complete

Source: *Migori County Treasury*

The County did not report any stalled development projects as of 30 September 2025. Further, the County Treasury did not provide a report on Equalisation Fund Projects.

3.27.16 Budget Performance by Department

Table 3.325 summarises the approved budget allocation, expenditure, and absorption rate by departments in the period under review.

Table 3.325: Migori County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%) on Exchequer Received		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Veterinary Services, Fisheries & Blue Economy	209.87	421.13	18.63	2.40	18.63	20.54	100.0	856.2	8.9	4.9
Trade, Tourism, Industry, Market & Cooperative Development	188.64	386.73	4.70	-	4.70	-	100.0	0.0	2.5	0.0
Health Medical Services	2,032.72	297.72	269.07	5.00	329.20	5.00	122.4	100.0	16.2	1.7
Education, Gender inclusivity, Social Services, Youth and Sports	532.76	105.86	18.17	-	18.17	-	100.0	0.0	3.4	0.0
Roads, Transport, Public Works & Infrastructural Development	140.90	1,084.77	4.83	21.11	4.83	21.11	100.0	100.0	3.4	1.9
Lands, Physical Planning, Housing & Urban Development	124.29	53.50	6.27	-	6.27	-	100.0	-	5.0	-
Environment, Natural Resources, Climate Change & Disaster Management	187.40	311.80	24.55	-	24.55	-	100.0	-	13.1	-
Finance and Economic Planning	640.44	16.00	144.35	-	144.35	-	100.0	-	22.5	-
Public Service Management, Monitoring & Evaluation & Performance Contracting	770.36	462.50	177.33	-	177.33	-	100.0	-	23.0	-
County Executive	399.23	140.00	35.59	-	35.59	-	100.0	-	8.9	-

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%) on Exchequer Received		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	907.92	50.00	107.92	-	103.88	-	96.3	-	11.4	-
Water and Energy	143.28	531.02	11.41	9.59	11.41	9.59	100.0	100.0	8.0	1.8
Public Health & Sanitation	224.51	167.85	8.65	-	8.65	-	100.0	-	3.9	-
Office of the County Attorney	92.78	-	2.62	-	2.62	-	100.0	-	2.8	-
Rongo Municipality	15.12	25.80	1.00	-	1.00	-	100.0	-	6.6	-
Awendo Municipality	15.12	25.80	3.40	-	3.40	-	100.0	-	22.5	-
Migori Municipality	15.12	63.18	1.00	-	1.00	-	100.0	-	6.6	-
Kehancha Municipality	15.88	25.80	1.00	-	1.00	-	100.0	-	6.3	-
Total	**6,656.34**	**4,169.47**	**840.47**	**38.10**	**896.57**	**56.24**	**106.7**	**147.6**	**13.5**	**1.3**

***Source**: Migori County Treasury*

Analysis of expenditure by departments shows that the Department of Agriculture, Livestock, Veterinary Services, Fisheries & Blue Economy recorded the highest absorption rate of development budget at 5 per cent, followed by the Department of Roads, Transport, Public Works & Infrastructural Development at 2 per cent. The Department of Public Service Management, Monitoring & Evaluation & Performance Contracting had the highest percentage of recurrent expenditure to budget at 23 per cent, while the Department of Trade, Tourism, Industry, Market & Cooperative Development had the lowest at 3 per cent.

However, an over absorption of expenditure against exchequer issues reported in the Department of Agriculture, Livestock, Veterinary Services, Fisheries & Blue Economy at 856 per cent and Department of Health Medical Services at 122 per cent were attributed to unspent cash balances for conditional grants brought forward from the FY 2024/25 in the Special purpose operational account for National Agricultural Value Chain Development Projects (NAVCDP) programs implemented during the period under review and F.I.F expenditure services incurred at source respectively.

3.27.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Water conservation, protection, & governance in the Department of water & energy at 83 per cent, Neonatal, child, adolescent & youth health services in the Department of medical services at 67 per cent, and Construction of bridges & maintenance in the Department of roads, transport, public works & infrastructural development at 30 of their budget allocations.

Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: trade payables in the Department of Agriculture, Livestock, Fisheries and Blue Economy at 97 per cent, Administrative services (Accounting Services) in the Department of Finance & Economic Planning at 89 per cent, Administrative services (Audit Services) in the Department of Finance & Economic Planning at 58 per cent, and finally Research & Learning in the Department of Public Health & Sanitation at 48 per cent of their budget allocations.

3.27.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 76 accounts with commercial banks, including Thirty-two (32) accounts for Health Facilities, Six (6) accounts for Established Funds, Three (3) revenue accounts, Seven (7) special purpose accounts (additional allocations), Two (2) Imprest accounts, One (1) Salary control account, and Twenty-Five (25) departmental operational accounts.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of 76 accounts at commercial banks, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.27.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.143.90 million against an annual target of Kshs.760 million, representing 19 per cent of the financial year target
ii. Low development performance in the review period as the County incurred Kshs.56.24 million on development activities, achieving a 1 per cent absorption rate
iii. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the County Education Bursary Fund and the Scholarships & Educational Benefits Fund had lapsed, making them ineligible for further withdrawals.
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for all seven Funds reported in Table 3.321 were not submitted to the CoB as of 15th October 2025.
v. High level of trade payables, which amounted to Kshs.1.02 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the trade payables Action Plan should be enforced.*
vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.28. County Government of Mombasa

3.28.1 Overview of FY 2025/26 Budget

The Mombasa County Approved Budget for FY 2025/26 is Kshs14.63 billion. It comprises Kshs.4.45 billion (30 per cent) and Kshs.10.18 billion (70 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.1.63 billion (10 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.5.19 billion and a recurrent budget of Kshs.11.07 billion. The

decrease in the budget was primarily attributed to the decline in own-source revenue prediction and conditional grants allocation.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.8.24 billion (56 per cent), additional allocations of Kshs.1.31 billion (9 per cent) and Kshs.5.08 billion (35 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.326.

3.28.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.3.30 billion in revenue. This amount represented an increase of 51 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.18 billion. The total revenue consisted of Kshs.1.98 billion from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.1.14 billion. Additionally, the County had a cash balance of Kshs.182.57 million from FY 2024/25. The total OSR collection of Kshs.1.14 billion included Facilities Improvement Financing (FIF) of Kshs.407.38 million, and Kshs.729.15 million from other OSR sources. Table 3.326 summarises the total revenue available to the County Government during FY 2025/26.

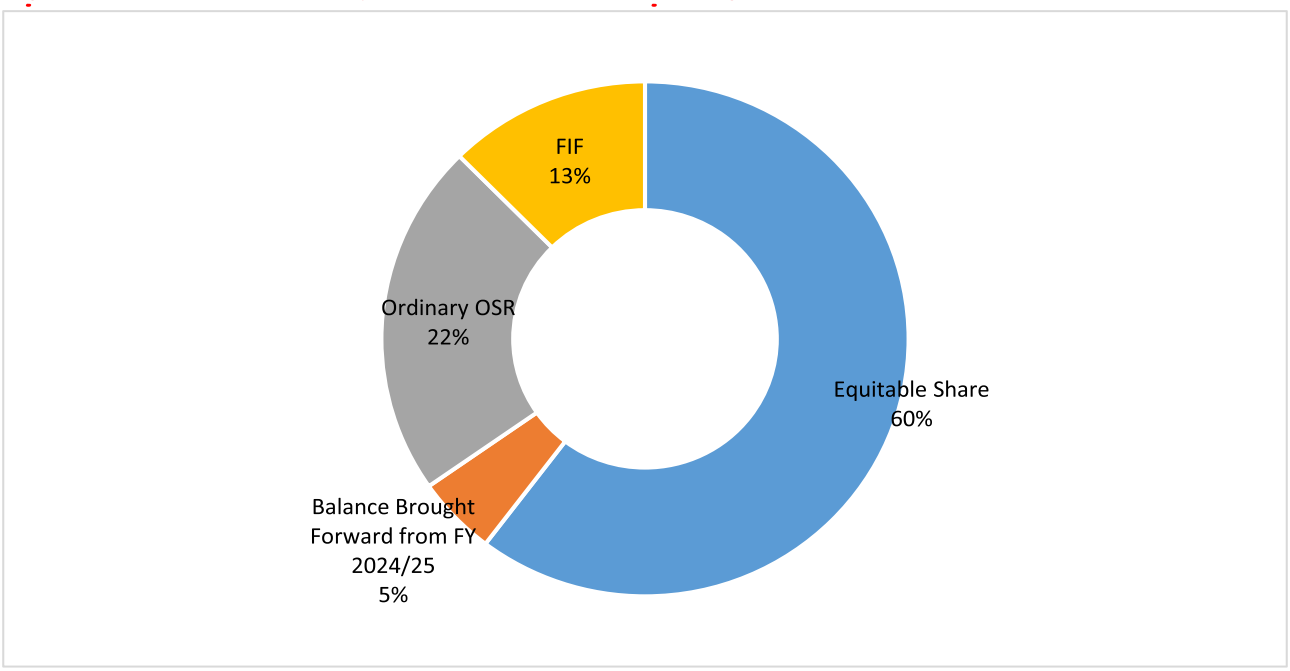
Table 3.326: Mombasa County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenue(Kshs)	Performance (%)
A. Equitable Share	8,236,179,184	1,976,704,324	24
Sub-Total	**8,236,179,184**	**1,976,704,324**	**24**
B. Additional Allocations			
Aggregated Industrial Parks Programme	100,000,000		-
Kenya Devolution Support Programme 2 (KDSP II)- Level I	37,500,000		-
Kenya Devolution Support Programme 2 (KDSP II)- Level II	352,500,000		-
Roads Maintenance Fuel Levy	130,500,000		-
DANIDA- Primary Health Care in Devolved System Program	15,888,750		-
World Bank - Kenya Informal Settlement Improvement Project (KISIP II)	150,000,000		-
World Bank - Water and Sanitation Development Project	529,500,000		-
Sub-Total	**1,315,888,750**	-	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	3,155,144,713	729,149,873	23
Balance b/f from FY2024/25	-	182,573,974	-
Balance at CRF		182,573,974	-
County Executive Refund to CRF			-
County Assembly Refund to CRF			-
Facility Improvement Fund (FIF)	**1,922,787,353**	**407,378,117**	**65**
SHIF	622,343,789	162,811,471	50
Defunct NHIF	322,787,353	-	-
Other FIF	897,030,196	184,097,136	-
PHC	80,626,015	60,469,511	
Other Revenues	-		-
Appropriation in Aid (AIA)	-		-
Sub-Total Other Sources	**5,077,932,066**	**1,136,527,990**	**22**
Grand Total	**14,630,000,000**	**3,295,806,288**	**23**

Source: *Mombasa County Treasury*

Figure 159 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

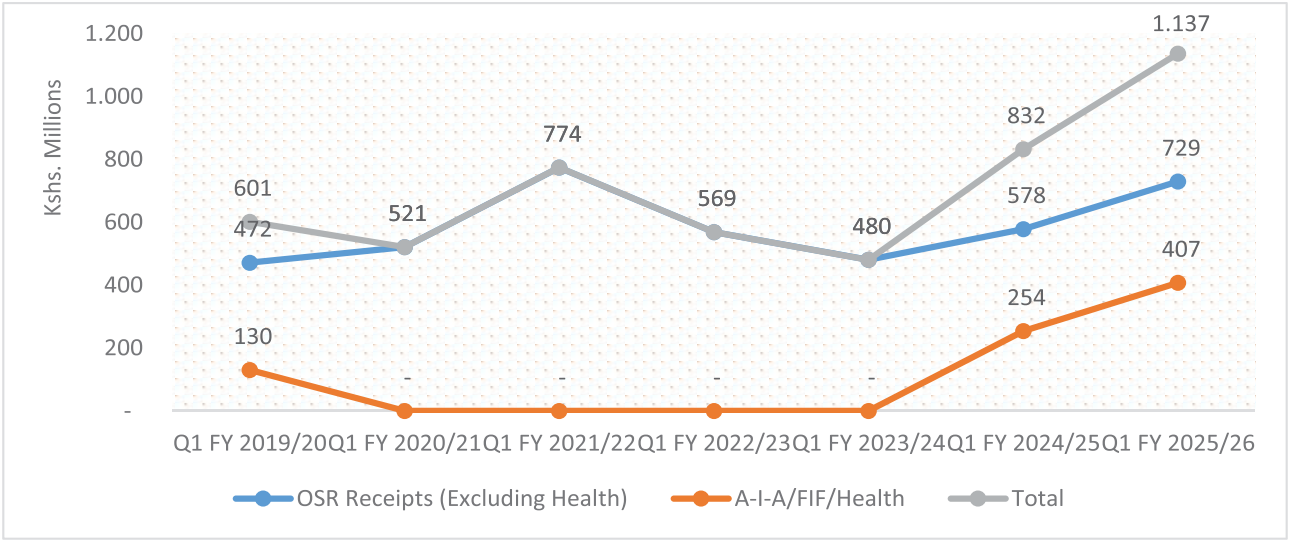
Figure 159: Mombasa County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Mombasa County Treasury*

The equitable share of revenue raised nationally and OSR contributed 60 per cent and 35 per cent, respectively, of the total Revenue for the reporting period. Figure 160 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 160: Mombasa County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

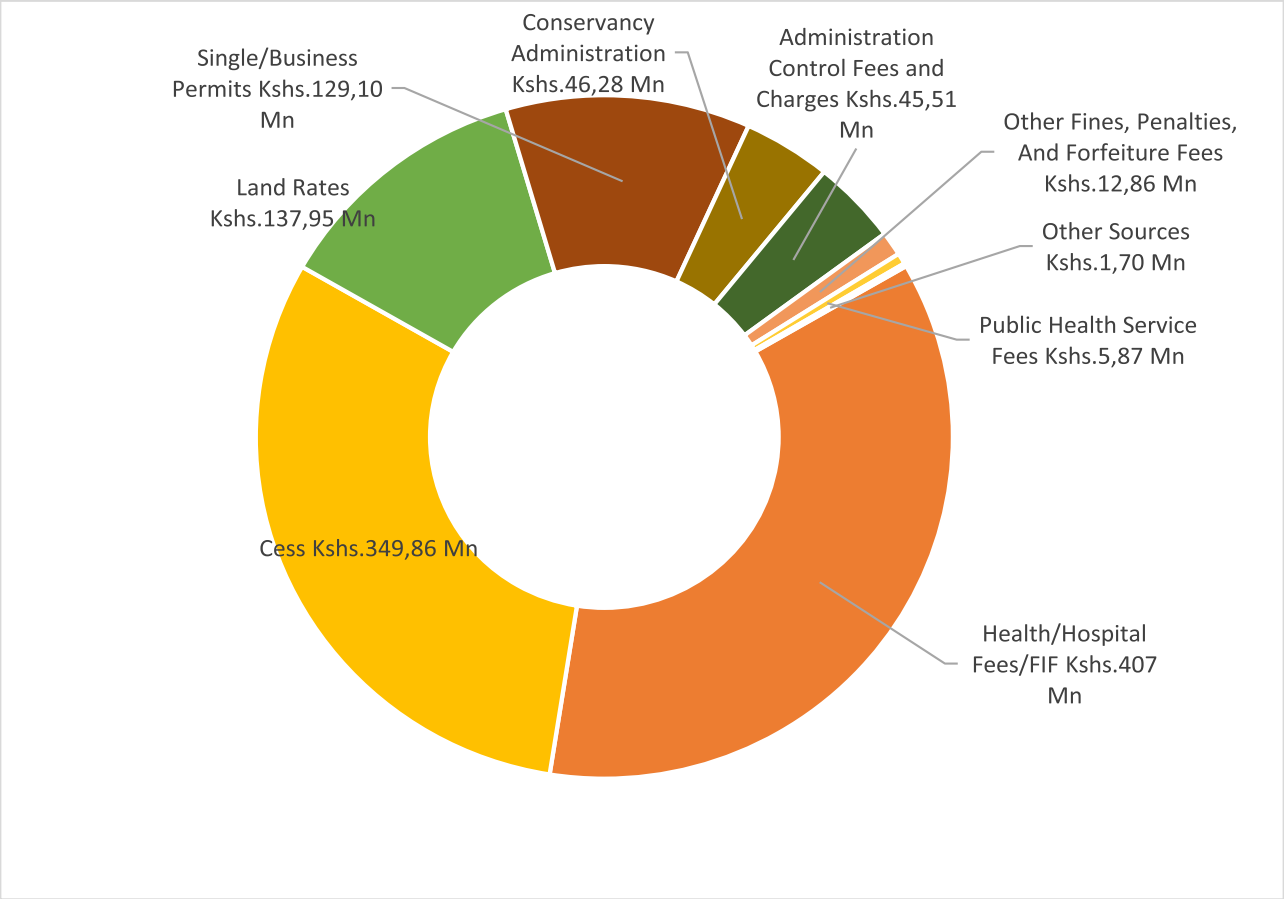


Source: *Mombasa County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.1.14 billion from its revenue sources, including FIF. This amount was an increase of 37 per cent compared to Kshs.832.15 million realised in a similar period in FY 2024/25, and was 22 per cent of the annual target and 57 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR Revenue are shown in Figure 161.

Figure 161: Mombasa County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Mombasa County Treasury

As shown in Figure 161, the highest revenue stream, at Kshs.407 million, was from FIF accounting for 36 per cent of the total OSR revenue. The County Government indicated that it has automated all the revenue streams except the FIF.

3.28.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.15.67 billion, this amount decreased to Kshs.12.83 billion as of 30th September 2025. Table 3.327 presents a breakdown of the County's revenue arrears.

Table 3.327: Mombasa County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
D	**Ordinary Own Sources of Revenue**					
1	Plot Rate	14,887,827,350.00	2,412,934,986.00	922,713,676.00	756,176,362.00	12,308,355,050.00
2	Single Business Permit	780,554,898.00	84,315,500.00	585,761,407.00	-	110,477,991.00
	Sub-Total				**756,176,362.00**	**12,418,833,041.00**
E	Facility Improvement Fund (FIF)					
1	SHIF				162,811,470.50	162,811,470.50
2	Defunct NHIF				-	-
3	FIF				184,097,135.70	184,097,135.70
4	PHC				60,469,511.01	60,469,511.01
	Other				520,450.00	520,450.00
	Sub-Total	**15,668,382,248.00**			**407,898,567.21**	**407,898,567.21**
Total		**15,668,382,248.00**	-	-	**1,164,074,929.21**	**12,826,731,608.21**

Source: Mombasa *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.12.83 billion, comprising Kshs.407.90 million for FIF (3 per cent) and Kshs.12.42 billion for Ordinary Own source revenue (97 per cent).

3.28.4 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.80 billion from the CRF account during the reporting period, which comprised only recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.72 billion was towards employee compensation and Kshs.74.94 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that14 per cent was for domestic travel . The domestic travel exchequer amounted to Kshs.10.82 million. There was no request for foreign travel expenditure.

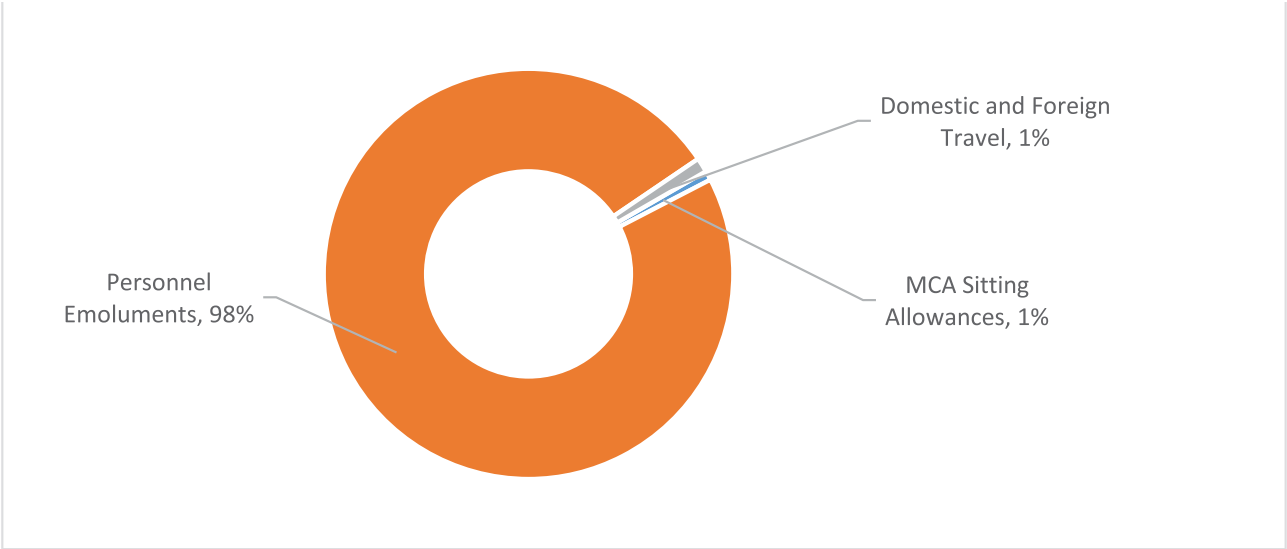
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.298.02 million.

3.28.5 Expenditure Review

The County spent Kshs.1.19 billion on development and recurrent programmes in the reporting period. The expenditure represented 66 per cent of the total funds released by the CoB. It is only comprised of expenditure for recurrent programmes. The recurrent expenditure represented 12 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 162: Mombasa County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Mombasa *County Treasury*

As shown in Figure 162, the three highest expenditure categories were Personnel Expenditure, MCA sitting allowance and Domestic and foreign travel contributing 98, 1 and 1 per cent of total expenditure for the reporting period.

3.28.6 Settlement of Trade Payables

As of 1st July 2025, the County reported Trade payables totalling Kshs.3.87 billion. This amount included Kshs.3.75 billion from the County Executive and Kshs.118.40 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.2.44 billion for recurrent expenditures and Kshs.1.31 billion for development expenditures.

During the reporting period, the County Executive settled Trade payables amounting to Kshs.527.30 million (22 per cent) for recurrent programmes. On the other hand, the County Assembly settled Trade Payables worth Kshs.86.19 million (73 per cent) for recurrent activities. The outstanding payables as of 30th September 2025

was Kshs.3.22 billion for County Executive and Kshs.32.21 million for County Assembly. Table 3.328 provides additional details of Trade Payables

Table 3.328: Mombasa County Trade Payables as of 30th September 2025

	County Entity	Development	Recurrent	Total
As at 1 July 2025 (End of FY 2024/25)	County Executive	1,310,750,537	2,439,361,521	3,750,112,058
	County Assembly	-	118,396,110	118,396,110
	Total	**1,310,750,537**	**2,557,757,631**	**3,868,508,168**
Amount paid in FY 2025/26	County Executive	-	527,603,901	527,603,901
	County Assembly	-	86,190,538	86,190,538
	Total	**-**	**613,794,439**	**613,794,439**
Outstanding pending bills as of 30 September 2025 (Kshs.)	County Executive	1,310,750,537	1,911,757,620	3,222,508,157
	County Assembly	-	32,205,572	32,205,572
	Total	**1,310,750,537**	**1,943,963,192**	**3,254,713,729**
Payment Plan for 1st quarter FY 2025/26	County Executive	40,150,000	580,387,379	620,537,379
	County Assembly	-	55,221,375	55,221,375
	Total	**40,150,000**	**635,608,754**	**675,758,754**

Source: *Mombasa County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.55.22 million and Kshs.675.76 million, respectively, in the 1st quarter of FY 2025/26. The County is on course to realise the payment plan, as it has cleared Kshs.527.61 million for the Executive and Kshs.86.19 million for the Assembly.

Table 3.329 and Table 3.330 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.3.25 billion.

Table 3.329: Mombasa County Executive trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	**1-2 years**	**2-3 years**	**Over 3 years**	
Development Trade Payables	59,976,289.40	-	-	1,250,774,247.18	1,310,750,536.58
Recurrent Trade Payables (Goods & Services)	76,560,759.67	-	-	1,434,115,030.64	1,510,675,790.31
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	401,081,829.83	401,081,829.83
Total Recurrent Pending Bills	76,560,759.67	-	-	1,835,196,860.47	**1,911,757,620.14**
Total Pending Bills	**136,537,049.07**	**-**	**-**	**3,085,971,107.65**	**3,222,508,156.72**
% of Total	**4%**	**0%**	**0%**	**95.76**	**100%**

Source: *Mombasa County Treasury*

Table 3.330: Mombasa County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	**1-2 years**	**2-3 years**	**Over 3 years**	
Development Pending Bills	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Recurrent Trade Payables (Goods & Services)	20,287,354.90	2,549,009.00	0.00	1,263,098.00	**24,099,461.90**
Recurrent Trade Payables (Staff Claims)	8,106,110.00				**8,106,110.00**

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Total Recurrent Trade Payables	28,393,464.90	2,549,009.00	0.00	1,263,098.00	**32,205,571.90**
Total Trade payables	**28,393,464.90**	**2,549,009.00**	0.00	**1,263,098.00**	**32,205,571.90**
% of Total	**88%**	**8%**	**0%**	**4%**	**100%**

Source: *Mombasa County Treasury*

The Trade payables analysis shows that 95 per cent have been outstanding for over three years. To address this, the County Treasury should implement a First-In-First-Out (FIFO) payment approach and adhere to the pending bills action plan established at the beginning of the financial year.

3.28.7 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.05 billion for compensation of employees, Kshs.46.86 million for operations and maintenance. Similarly, the County Assembly spent Kshs.77.10 million on compensation of employees, Kshs.15.15 million on operations and maintenance, as shown in Table 3.331.

Table 3.331: Mombasa County Summary of Budget and Expenditure by Economic Classification

Sector / Category	Budget (Kshs)	Exchequer Issues (Kshs)	Expenditure (Kshs)	Expenditure % of Exchequer Issues	Absorption Rate
County Executive					
Recurrent	**9,438,448,094**	**1,614,225,355**	**1,097,551,876**	**68**	**12**
Compensation to Employees	6,697,734,927	1,565,945,170	1,050,696,607	67	16
Operations & Maintenance	2,740,713,167	48,280,185	46,855,269	97	2
Development	**4,380,706,012**	**0**	**0**	-	-
Executive Sub-total	**13,819,154,106**	**1,614,225,355**	**1,097,551,876**	**68**	**8**
County Assembly					
Recurrent	**740,845,894**	**181,196,452**	**92,247,538**	**51**	**12**
Compensation to Employees	437,849,053	154,532,852	77,097,538	50	18
Operations & Maintenance	302,996,841	26,663,600	15,150,000	57	5
Development	**70,000,000**	**0**		-	-
Assembly Sub-total	**810,845,894**	**181,196,452**	**92,247,538**	**51**	**11**
Combined County Totals					
Total Recurrent	**10,179,293,988**	**1,795,421,807**	**1,189,799,414**	**66**	**12**
Compensation to Employees	7,135,583,980	1,720,478,022	1,127,794,145	66	16
Operations & Maintenance	3,043,710,008	74,943,785	62,005,269	83	2
Total Development	**4,450,706,012**	**0**	**0**	-	-
Grand Total	**14,630,000,000**	**1,795,421,807**	**1,189,799,414**	**66**	**8**

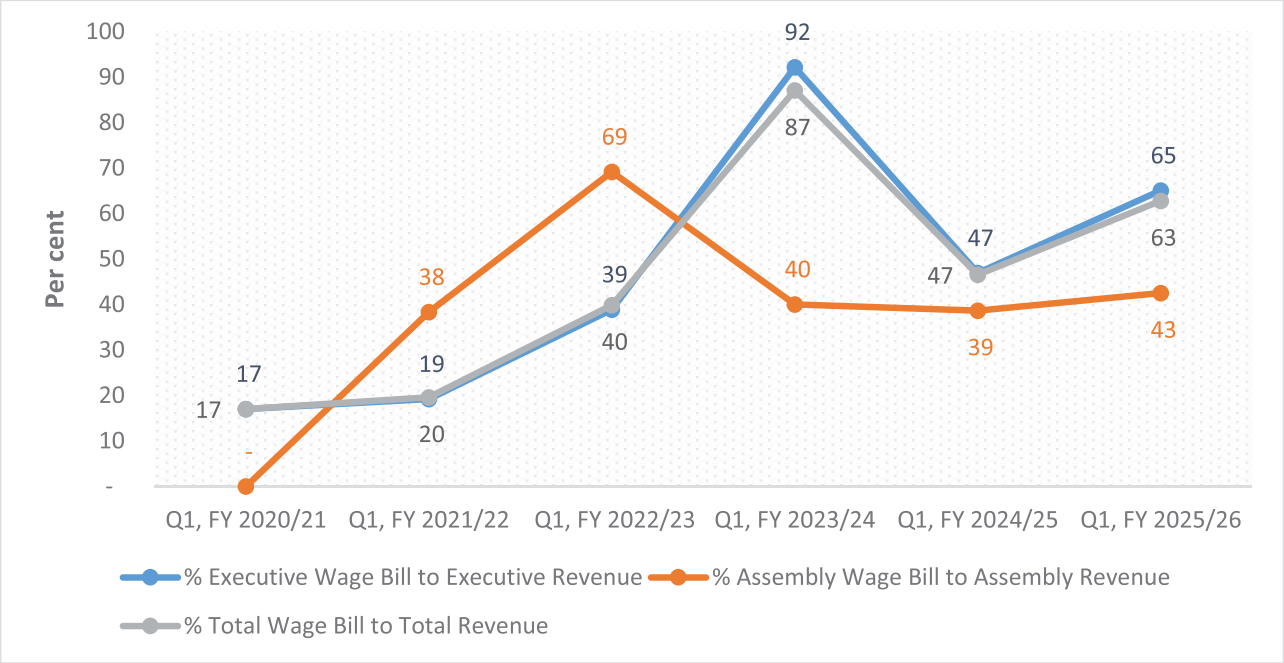
Source: *Mombasa County Treasury*

3.28.8 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.13 billion. The percentage of compensation of employees to revenue was 66 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.1.02 billion reported in a similar period in FY 2024/25. Included in the employee compensation, is Kshs.540.04 million relating to the Health Sector employees, which accounted for 48 per cent of the overall employees' compensation.

Figure 163 shows the compensation trend of employees' expenditures as a percentage of total revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 163: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Mombasa County Treasury

As shown in Figure 163, both the Executive and the Assembly increased their wage spending to revenue over the years, with the highest pressure recorded in the first quarter of FY 2023/24. The Executive's wage bill reached 92 per cent of its revenue, while the Assembly peaked earlier at 69 per cent.

Both sectors show improvement afterwards, but the Executive still carries a heavier wage burden. Overall, employee compensation continues to account for a significant portion of County revenue, thereby limiting financial flexibility.

Further analysis indicated that PE costs amounting to Kshs.1.05 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.77.15 million was processed through manual payroll, which accounted for 93 per cent of the total PE cost.

The manual payroll comprised salaries for staff not onboarded into the Human Resource Information System (HRIS), salaries for casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.332.

Table 3.332: Breakdown of Mombasa County Manual Payroll

Category	County Executive	County Assembly	Total
Salaries for staff paid outside Human Resource Information System (HRIS)	49,019,529	8,072,214	57,091,743
LAPTRUST/LAPFUND Pension Contributions		70,920	70,920
Gratuity for contract staff	4,015,595	4,081,469	8,097,064
Community Health Workers	11,502,500		11,502,500
NSSF		276,480	276,480
Others (Housing Levy + NITA)		114,864	114,864
Total	**64,537,624**	**12,615,947**	**77,153,571**

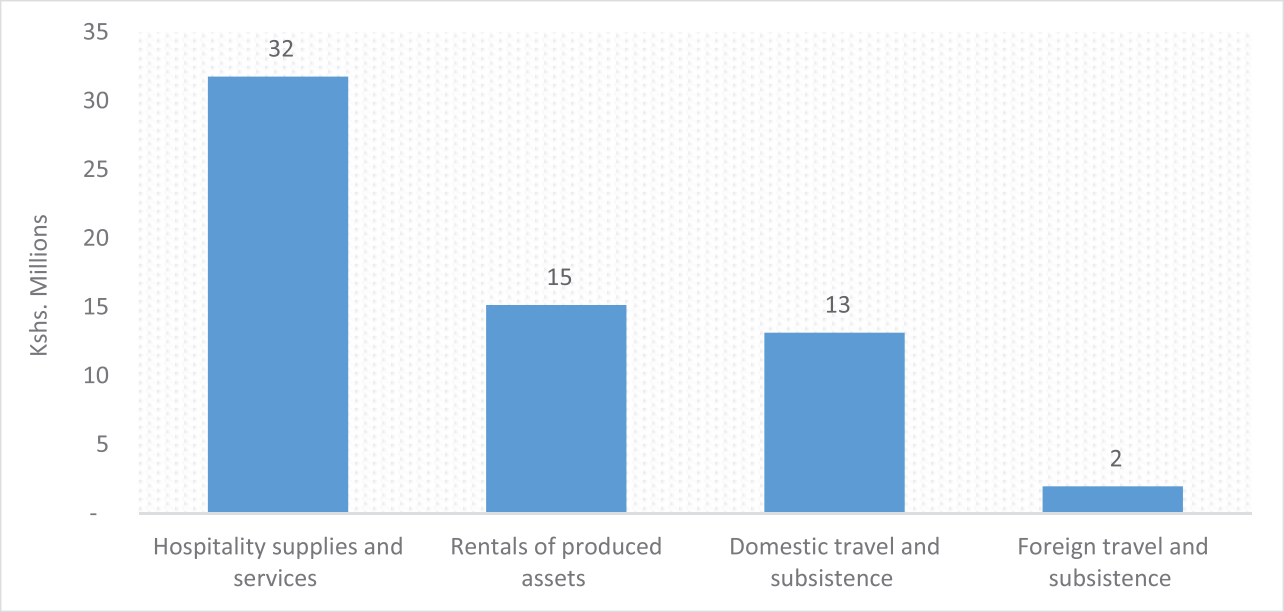
Source: Mombasa County Treasury

The County Assembly spent Kshs.8.46 million on committee sitting allowances for the 43 MCAs against the annual budget allocation of Kshs.35.89 million. The average monthly sitting allowance was Kshs.65,563 Per MCA. The County Assembly has 21 House Committees.

3.28.9 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.62.01 million on operations and maintenance, representing decrease of 53 per cent compared to FY 2024/25, when the County spent Kshs132.25 million. Figure 164 summarises the Operations and Maintenance expenditure by major categories.

Figure 164: Mombasa County, Operations and Maintenance Expenditure by Major Categories



Source: *Mombasa County Treasury*

3.28.10 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.236.5 million to County-Established funds in FY 2025/26, or 2 per cent of the County's overall budget. Further, the County allocated Kshs.20 million to the Emergency Fund (0.1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.333 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.333: Performance of Mombasa County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1.	Mombasa County Elimu Scheme	2023	154,500,000	-	-	1,694,527,622	YES
2.	Emergency Fund		20,000,000	-	-	-	NO
3.	Mombasa County Ardhi Fund	2024	50,000,000	-	-	-	NO
		County Assembly Established Funds					
5.	Mombasa County Assembly Car Loans and Mortgage for Members and staff	2021	12,000,000	-	-	-	NO
	Total		236,500,000	-	-	1,694,527,622	

Source: *Mombasa County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from Emergency Fund Administrators, Ardhi Fund, and Mombasa County Assembly Car loans and mortgages for members and staff, as indicated in Table 3.333, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the Funds** had not lapsed.

3.28.11 County Corporations

The County has one County Corporation, which was allocated Kshs.20 million in FY 2025/26. There was no expenditure for the review period, as shown in Table 3.334.

Table 3.334: Performance of Mombasa County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Mombasa Investment Corporation.	20,000,000	-	-	55,000,000
	Total	**20,000,000**	**-**	**-**	**55,000,000**

Source: *Mombasa County Treasury*

3.28.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.13.14 million by the County Executive. Expenditure on foreign travel amounted to Kshs.1.95 million by the County Executive. Expenditure on foreign travel is summarised in Table 3.335.

Table 3.335: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	No. Of Officers Travelled	Dates travelled	Purpose of the travel	Destination	Total Costs of the Travel (Kshs.)
Executive	1	12th-25th September 2025	Facilitation to attend the 80th session of the UN General Assembly from 12th-25th September 2025 in New York	USA	990,630.00
Executive	2	29th July- 2nd August 2025	Evaluation committee visit to Jospong Group of Companies in Ghana 29 July 2025 to 2 Aug. 2025	GHANA	959,800.00

Source: Mombasa County Treasury

3.28.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.407.38 million as FIF, which was 21 per cent of the annual target of Kshs.1.92 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023.

The health facilities did not report any expenditure in the period under review, as shown in Table 3.336.

Table 3.336: Mombasa County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	753,427,549.00	0	0%
2.	Level 4 Hospital	4	180,835,080.00	0	0%
3.	Level 3 Facility	11	60,454,162.50	0	0%
4.	Level 2 Facility	31	60,454,162.50	0	0%
	Total	**47**	**1,055,170,954.00**	**0**	**0%**

source: Mombasa *County Treasury*

3.28.14 Development Expenditure

In the review period, the County did not incur expenditure on development programmes.

3.28.15 Budget Performance by Department

Table 3.337 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.337: Mombasa County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	740.85	70.00	181.20	-	92.25	-	51	-	12	-
Public Service Board	120.94	10.00	13.70	-	17.12	-	125	-	14	-
Finance and Economic Planning	880.48	382.51	88.68	-	102.23	-	115	-	12	-
Health	4,184.84	600.00	822.92	-	540.05	-	66	-	13	-
Transport, Infrastructure & Public Works	686.57	743.54	124.41	-	51.97	-	42	-	8	-
Environment and Governance	897.02	786.05	190.86	-	119.30	-	63	-	13	-
Education	554.38	227.50	72.89	-	54.51	-	75	-	10	-
Water, Natural Resources, and Climate Change Resilience	217.22	334.50	33.01	-	23.41	-	71	-	11	-
Public Service Administration, Youth, Gender, Social Services, and Sports.	774.02	-	61.36	-	48.75	-	79	-	6	-
Tourism, culture & Trade	438.46	37.00	69.62	-	54.13	-	78	-	12	-
Lands, Urban Renewal and Housing	185.07	570.30	37.69	-	24.11	-	64	-	13	-
Blue Economy, Cooperatives, Agriculture, and Livestock	177.97	151.00	49.70	-	20.65	-	42	-	12	-
County Attorney	98.01	460.00	9.43	-	6.05	-	64	-	6	-
County Executive	223.46	78.30	40.19	-	35.27	-	88	-	16	-
Total	**10,179.29**	**4,450.70**	**1,795.66**	**-**	**1,189.80**	**-**	**66**	**-**	**12**	**-**

Source: *Mombasa County Treasury*

Analysis of expenditure by departments shows that the Department of County Executive recorded the highest absorption rate of recurrent expenditure to budget at 16 per cent, while the Department of County Attorney had the lowest at 6 per cent.

3.28.16 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General Administration and Human Resource Planning Services in the Department of County Executive, Compensation to Employees in the County Assembly at 16 per cent, Administration Unit in the Department of health at 15.61 per cent, and Administration, Planning and Support Services at 15 per cent of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.28.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally,

Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 94 accounts in commercial banks, including 62 accounts for Health Facilities, 3 accounts for Vocational Training Centres, 4 accounts for Established Funds, 4 revenue accounts, and 11 special-purpose accounts (for additional allocations).

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening the commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.28.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 31st October 2025.
ii. Low development performance in the review period, as the County did not incur any expenditure on development activities in the period under review.
iii. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Emergency Fund, Ardhi Fund, and Mombasa County Assembly Car Loans and Mortgage for Members and staff Fund were not submitted to the CoB as of 15 July 2025.
iv. High level of pending bills, which amounted to Kshs.3.25 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the pending bills by the County Treasury.
v. Use of manual payroll to process Personnel emoluments amounting to Kshs.77.15 million for staff not onboarded into the HRIS and other casual staff accounted for 7 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
vii. The County reported revenue arrears of Kshs.12.83 billion, comprising ordinary OSR arrears of Kshs.12.42 billion and FIF arrears of Kshs.407.90 million. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
iv. *The County Leadership should address the situation of pending bills to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Pending Bills Action Plan should be enforced.*
v. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
vii. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.29. County Government of Murang'a

3.29.1 2025/26 Budget

The County Government of Murang'a's Approved Budget for FY 2025/26 is Kshs.11.717 billion. It comprises Kshs.3.83 billion (33 per cent) and Kshs.7.89 billion (67 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.973.09 million (9 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.22 billion and a recurrent budget of Kshs.7.53 billion. The increase in the budget was primarily attributed to the rise in Equitable Share, and County Government Additional allocations.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.8.04 billion (68.7 per cent), additional allocations of Kshs.1.47 billion (12.6 per cent), a cash balance of Kshs.600 million (5.1 per cent) brought forward from FY 2024/25, and Kshs.1.61 billion (13.7 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.338.

3.29.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.42 billion in revenue. This amount represented an increase of 0.94 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.48 Billion. The total revenue consisted of Kshs.1.28 billion from the equitable share of revenue raised nationally, additional allocations from the national government and development partners of Kshs.9.7 million, as well as the own-source revenue (OSR) collection of Kshs.210.12 million. Additionally, the County had a cash balance of Kshs.129.84 million from FY 2024/25. The total OSR collection of Kshs.210.12 million included Facilities Improvement Financing (FIF) of Kshs.111.21 million, and Kshs.98.92 million from other OSR sources. Table 3.338 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.338: Murang'a County, Revenue Performance in FY 2025/26

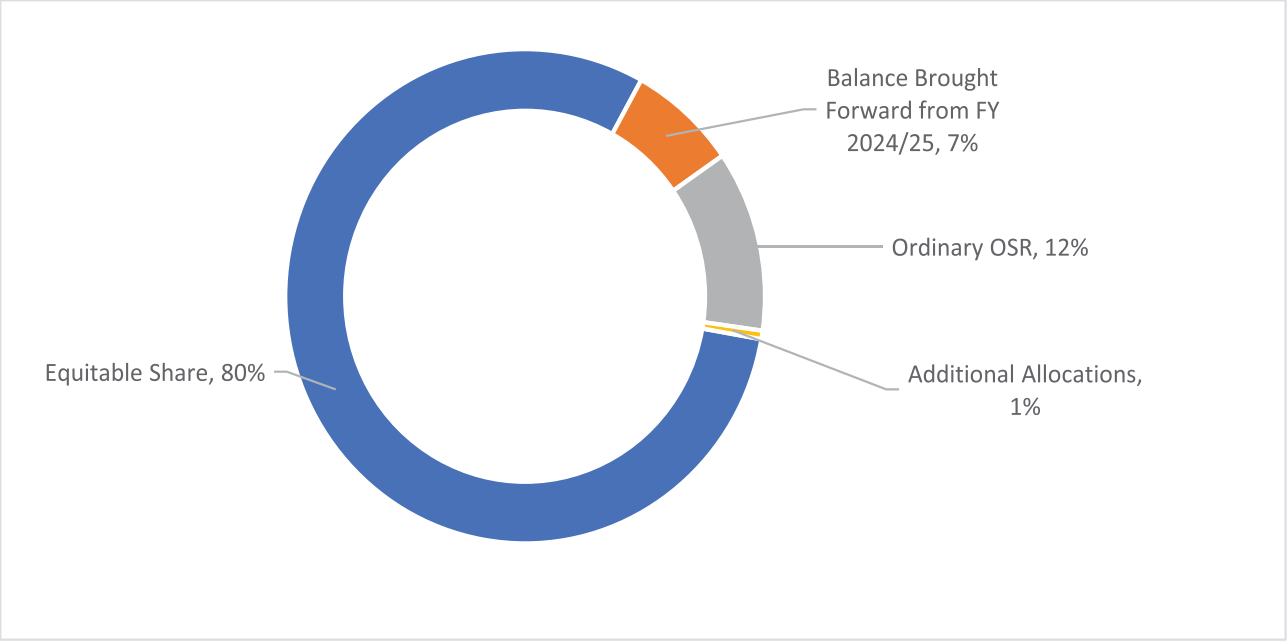
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	**8,039,755,314**	**1,422,305,392**	**16**
	Subtotal			
B	**Equalisation Fund Disbursement**	-	-	-
	Subtotal	**8,039,755,314**	**1,422,065,897**	**16**
C	**Additional Allocations**			
1	Primary Healthcare in a Devolved Context	9,701,250	9,701,250	100
2	Kenya Agricultural Business Development Program	10,918,919	-	-
3	Nutrition International	20,000,000	-	-
4	Kenya Urban Support Program – Urban Institution Grant	28,000,000	-	-
5	Kenya Devolution Support Program II Level I	37,500,000	-	-
6	Community Health Promoters	46,050,000	-	-
7	Basic Arrears of County Health Workers	56,993,611	-	-
8	Additional Allocation for Court Fines	70,740,842	-	-
9	County Aggregated Industrial Parks (CAIPs)	100,000,000	-	-
10	Kenya Urban Support Project Urban Development Grant (UDG)	124,000,000	-	-
11	National Agricultural Value Chain Development Program (NAVCDP)	151,515,152	-	-
12	Financing Locally Led Climate Action	191,459,226	-	-
13	Road Maintenance Levy Fund	270,941,894	-	-
14	Kenya Devolution Support Program Level II	352,500,000	-	-
	Subtotal	**1,470,320,894**	**9,701,250**	**100**
D	**Ordinary Own Source Revenue (OSR)**			
1	Own Source of Revenue	1,606,669,232	210,118,439	
2				

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
Subtotal		**1,606,669,232**	**210,118,439**	
E	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	600,000,000	127,932,877.5	
2	County Executive Refunds to CRF		1,904,364.55	
3	County Assembly Refunds to CRF		1,332.06	
Subtotal		**600,000,000**	**129,838,574.70**	21
Grand Total		**11,716,,745,440**	**1,771,963,655.85**	**15**

Source: *Murang'a County Treasury*

The County does not have governing legislation on the operation of ordinary A-I-A and FIF. Figure 165 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

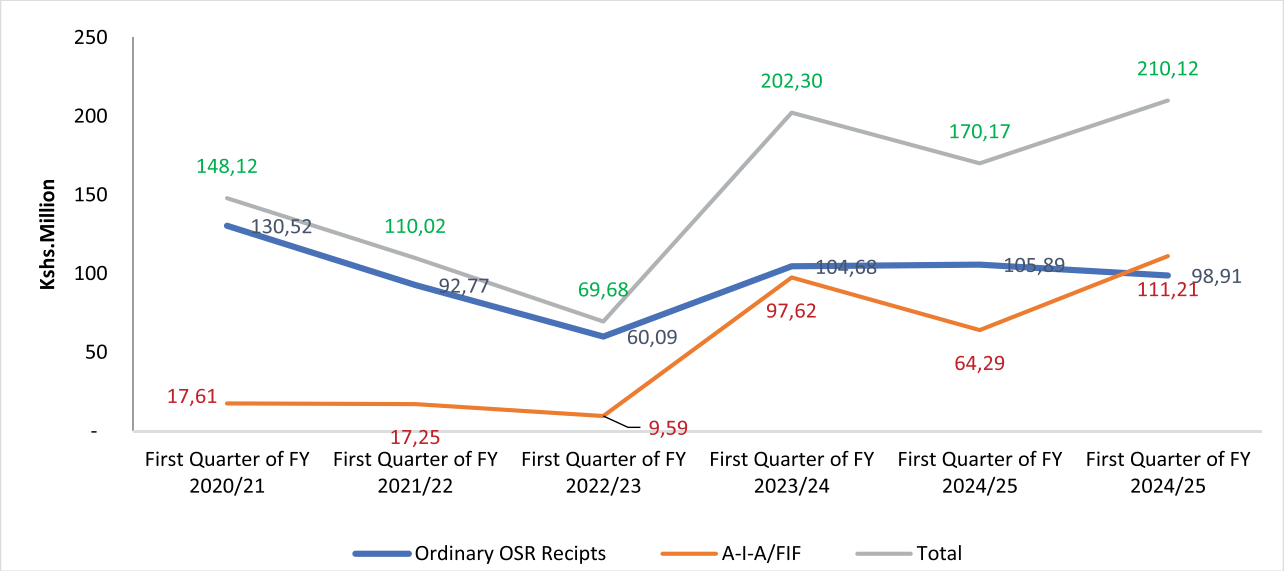
Figure 165: Murang'a County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Murang'a County Treasury*

The equitable share of revenue raised nationally, OSR, and balance brought forward contributed 80 per cent, 12 per cent and 7 per cent, respectively, of the total receipts for the reporting period. Figure 166 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 166: Murang'a County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

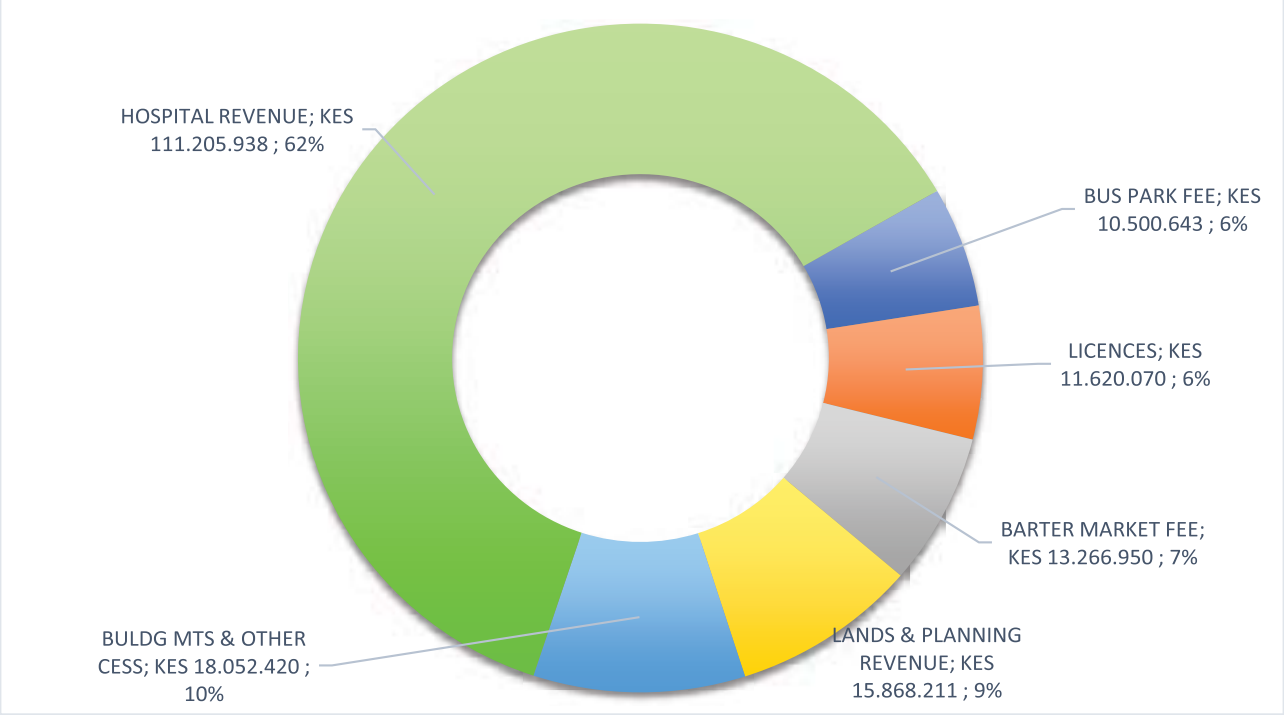


***Source: Murang'a** County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.210.12 million from its revenue sources, including FIF. This amount was an increase of 23 per cent compared to Kshs.170.17 million realised in a similar period in FY 2024/25, and was 13.1 per cent of the annual target and 16.5 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to the continuous implementation of automation measures by the County Government to enforce revenue collection and seal revenue leakages. The revenue streams which contributed the highest OSR receipts are shown in Figure 167.

Figure 167: Murang'a County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Murang'a County Treasury

As shown in Figure 167, the highest revenue stream, at Kshs.111.21 million was from hospital revenue, accounting for 53 per cent of the total OSR receipts. The County Government indicated that it has automated all its revenue streams.

3.29.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.41.82 million, this amount has not changed as of 30th September 2025. Table 3.339 presents a breakdown of the County's revenue arrears.

Table 3.339: Murang'a County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
a	Ordinary Own Sources of Revenue					
1	Plot rate	41,825,426	-	-	-	41,825,426
	Sub-Total					
Total		41,825,426				41,825,426

Source: *Murang'a County Treasury*

As of 30 September 2025, the revenue arrears totalled Kshs.41.83 million, comprising plot rent arrears. The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include mapping of plot owners in the Geographical Information System to ensure they comply with payment of the arrears.

3.29.4 Borrowing by the County

Murang'a County did not disclose any short-term borrowings as of 30th September 2025.

3.29.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.1 Billion from the CRF account during the reporting period, which comprised Kshs.181.77 million (16.5 per cent) for development programmes and Kshs.918.11 million (83.4 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.772.5 million was towards employee compensation and Kshs.145.62 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 2 per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.16.4 million and included Kshs.14.4 million for the County Executive and Kshs.1.97 million for the County Assembly.

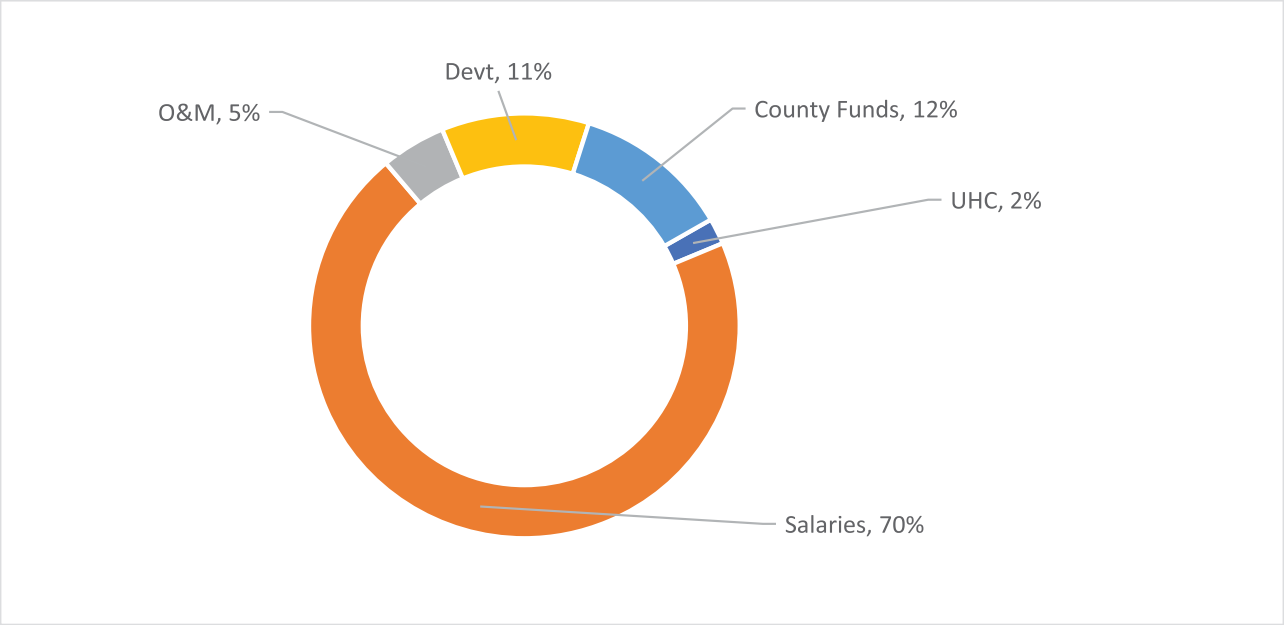
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.849.73 million.

3.29.6 Expenditure Review

The County spent Kshs.1.09 billion on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.181.77 million for development programmes and Kshs.918.11 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 5 per cent of the total development budget, while recurrent expenditure represented 12 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 168: Murang'a County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Murang'a *County Treasury*

As shown in Figure 168, the three highest expenditure categories were personnel emolument, established County funds, and development expenditure, contributing 70, 12, and 11 per cent, respectively, of the total expenditure for the reporting period.

3.29.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.99 billion. This amount included Kshs.1.92 billion from the County Executive and Kshs.72.27 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.59 million for recurrent expenditures and Kshs.333.36 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.371.21 million, comprising of (23 per cent) for recurrent programmes. On the other hand, the County Assembly did not settle any trade payables within the period. The outstanding trade payables as of 30th September 2025 was Kshs.1.55 billion for the County Executive and Kshs.72.27 million for the County Assembly. Table 3.340 provides additional details of trade payables.

Table 3.340: Murang'a County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	333,359,916	1,588,128,815	1,921,488,731
		County Assembly	-	72,265,494	72,265,494
		Total	333,359,916	1,660,394,309	1,993,754,225
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	189,262,229	684,146,185	873,408,414
		County Assembly			-
		Total	189,262,229	684,146,185	873,408,414
Amount paid in FY 2025/26	c	County Executive	-	371,207,701	371,207,701
		County Assembly	-	-	-
		Total	-	371,207,701	371,207,701
Trade Payables Incurred in First Quarter of FY 2025/26	d	County Executive	-	-	-
		County Assembly	-	-	-
		Total	-	-	-
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	333,359,916	1,216,921,114	1,550,281,030
		County Assembly	-	72,265,494	72,265,494
		Total	333,359,916	1,289,186,608	1,622,546,524

Source: *Murang'a County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs 684.15 million and Kshs.37.96 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs.371.21 million for the Executive while the assembly did not pay any trade payables in the period.

Table 3.341 and Table 3.342 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.62 billion.

Table 3.341: Murang'a County Executive Pending Bill Ageing Analysis as of 30 September 2025

Pending Bill Ageing Analysis					
Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
	A	B	C	D	E=A+B+C+D
Development Trade Payables	296,379,078			36,980,838	333,359,916
Recurrent Trade Payables (Goods & Services)	263,173,592		-	98,578,780	361,752,372
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	347,112,605	-	-	477,260,659	824,373,264
Recurrent Trade Payables (Staff Claims)	30,795,478	-	-	-	30,795,478
Total Recurrent Trade Payables	**641,081,675**	-	-	**575,839,439**	**1,216,921,114**
Total Trade Payables	**937,460,753**	-	-	**612,820,277**	**1,550,281,030**
% of Total	**60.5%**	**0.0%**	**0%**	**39.5%**	**100%**

Source: *Murang'a County Treasury*

Table 3.342: Murang'a County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade PayableS	**0**	**0**	**0**	**0**	**0**
Recurrent Trade Payables (Goods & Services)	21,572,365	318,800	-	-	21,891,165
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	3,906,686	-	-	18,765,709	22,672,395
Recurrent Trade Payables (Staff Claims)	27,661,934	-	-	-	27,661,934
Total Recurrent Trade Payables	53,140,985	318,800	-	18,765,709	72,225,494
Total Trade Payables	53,140,985	318,800	-	18,765,709	72,225,494
% of Total	73.6%	0.4%	0%	26.0%	100%

Source: *Murang'a County Treasury*

The highest percentage of trade payables is under one year, accounting for 61 per cent of the total trade payables. It is recommended that the County use a First-in-First-out basis for repaying the debt and also adhere to the trade payables action plan prepared at the beginning of the financial year.

3.29.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.747.6 million for compensation of employees, Kshs.130.56 million for operations and maintenance, and Kshs.181.77 million for development activities. Similarly, the County Assembly spent Kshs.25.04 million on compensation of employees, Kshs.15.06 million on operations and maintenance. The County Assembly did not incur expenditure for development activities, as shown in Table 3.343.

Table 3.343: Murang'a County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure						
Compensation of Employees	4,855,391,877	397,237,638	747,455,143	25,042,188	15	6
Operations and Maintenance	2,215,723,768	419,473,309	130,555,795	15,060,432	6	4
Development Expenditure	**3,798,918,848**	**30,000,000**	**181,770,342**	-	**5**	**0**
Total	**10,870,034,493**	**846,710,947**	**1,059,781,280**	**40,102,620**	**9**	**0.34**

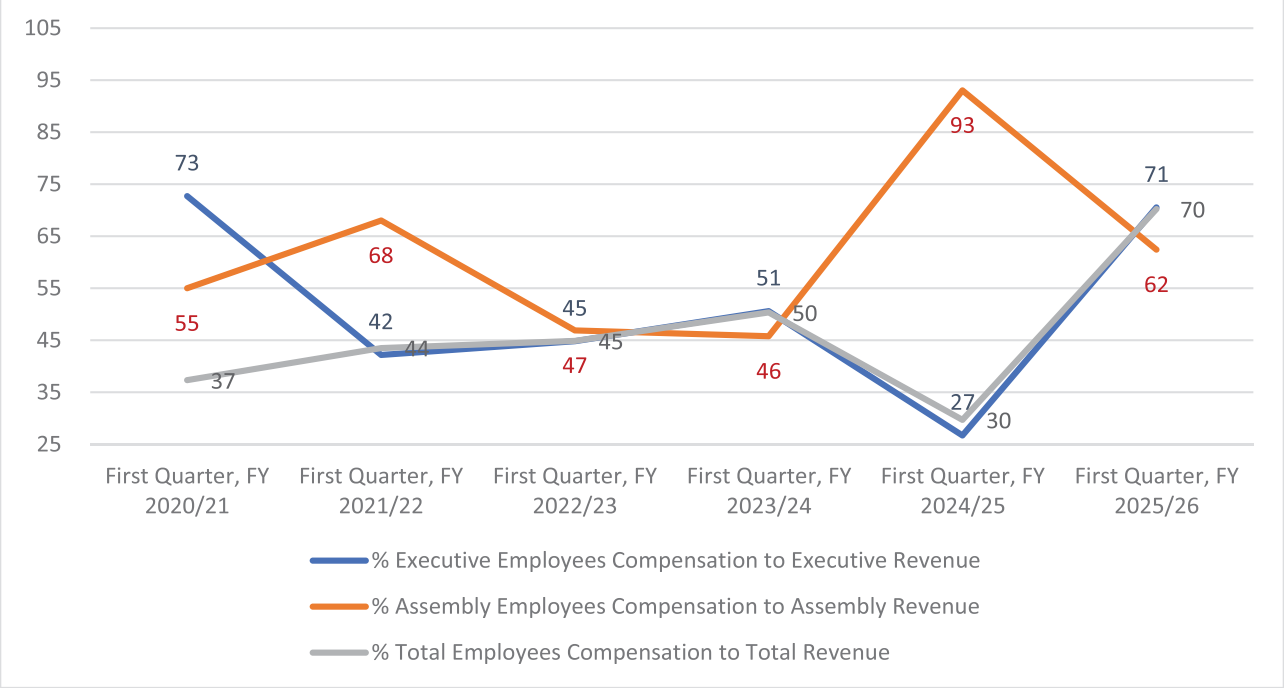
***Source**: Murang'a County Treasury*

3.29.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.772.49 million. The percentage of compensation of employees to revenue was 70 per cent of the available revenue of Kshs.1.1 billion. This expenditure on employee compensation shows an increase compared to the Kshs.442.24 million reported in a similar period in FY 2024/25. Of this total, Kshs.236.41 million related to the Health Sector employees, which accounted for 30 per cent of the overall employees' compensation. The increase in the wage bill compared to the same period in the similar period in FY 2024/25 is attributed to an increase in the number of employees and staff promotions.

Figure 169 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 169: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Murang'a County Treasury

As shown in Figure 169, the average wage spending by the Assembly as a percentage of actual revenue from the first quarters of FY 2020/21 to FY 2025/26 was 51 per cent. In comparison, the Executive's average was 61 per cent. By the first three months of FY 2025/26, the Assembly's wage spending increased to 62 per cent, while the Executive's reached 71 per cent. Both entities surpassed the 35 per cent ceiling established by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015. This indicates that employee compensation has been prioritized over other expenditures.

Further analysis indicated that PE costs amount to Kshs.743.89 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.28.61 million was processed through manual payroll, which accounted for 4 per cent of the total PE cost.

The manual payroll comprised salaries for 35 staff not onboarded into the Human Resource Information System (HRIS), salaries for five casual staff, 260 interns, 2009 community health promoters, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.344

Table 3.344: Breakdown of Murang'a County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for staff yet to be onboarded into HRIS	11,605,529
	Salaries for casual staff	462,296
	Salaries for interns	10,525,667
	LAPTRUST/LAPFUND Pension Contributions	1,026,847
	Community Health Promoters	4,985,000
	Total	**28,605,338**

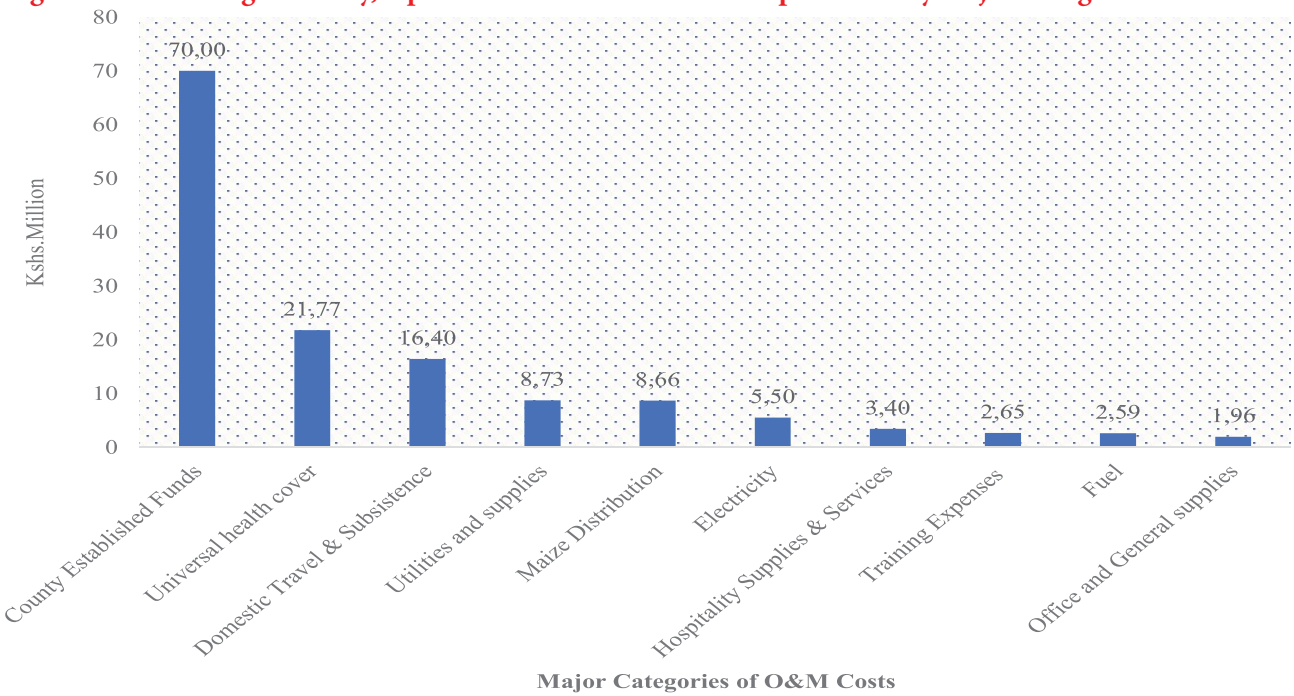
Source: Murang'a County Treasury

The County Assembly spent Kshs.5.43 million on committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.38.94 million. The average monthly sitting allowance was Kshs.37,690 per MCA. The County Assembly has 21 House Committees.

3.29.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.145.62 million on operations and maintenance, representing an increase of 30 per cent compared to FY 2024/25, when the County spent Kshs.111.39 million. Figure 170 summarises the Operations and Maintenance expenditure by major categories.

Figure 170: Murang'a County, Operations and Maintenance Expenditure by Major Categories



Source: *Murang'a County Treasury*

The County's major categories of operations and maintenance for the period were County-established funds, namely the Murang'a County Scholarship Fund and the Universal Health Cover for indigents and vulnerable individuals, accounting for 10 per cent of the total O&M expenditure within the period.

The County operates a fleet of lorries for garbage collection, whose attendant costs are included in the cost of fuel. During this period, the County did not incur any legal fees, arbitration costs, or compensation.

Domestic travel expenditure amounted to Kshs.16.4 million with the County Executive spending Kshs.1.97 million while the County Assembly spent Kshs.14.43 million. The County Executive and the County Assembly did not incur any expenditure on foreign travel within the period.

3.29.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.611.5 million to County-Established funds in FY 2025/26, or 5 per cent of the County's overall budget. Further, the County allocated Kshs.30 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.345 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.345: Performance of Murang'a County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1	Murang'a County Education Scholarship	2021	230,000,000	70,000,000	70,000,000		Yes
2	Emergency Fund	2023	30,000,000	-	-		Yes
3	Youth Fund	2023	119,500,000	20,000,000	20,000,000		Yes
4	Agricultural Farm Input Subsidy Fund	2023	195,000,000	40,000,000	40,000,000		Yes
5	Murang'a County Sports and Talent Fund	2025	37,000,000	-	-	35,082,400	Yes
		County Assembly Established Funds					
1	County Assembly Car and Mortgage Fund	2014				467,274,313	No
	Total		611,500,000	130,000,000	130,000,000	502,356,716	

Source: *Murang'a County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from County Assembly Car and Mortgage Fund, Fund Administrators, as indicated in Table 3.345, contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that administration costs for all its Funds were within the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the** County Assembly Car and Mortgage **Fund** had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.29.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.16.4 million and comprised Kshs.14.4 million spent by the County Assembly and Kshs.1.97 million by the County Executive. The County did not incur any expenditure on Foreign travel in the period under review.

3.29.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.111.21 million as FIF, which was 19 per cent of the annual target of Kshs.588.1 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023.

The expenditure by the health facilities amounted to Kshs.121 million, as shown in Table 3.346.

Table 3.346: Murang'a County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	75,702,391.00	73,662,853	97.31
2.	Level 4 Hospital	7	81,288,074.00	47,340,199	58.24
	Total		**156,990,465**	**121,003,052**	**77.08**

Source: *Murang'a County Treasury*

3.29.14 Development Expenditure

In the review period, the County reported spending Kshs.181.77 million on development programmes, representing an increase of 6.4 per cent compared to FY 2024/25, when the County spent Kshs.170.72 million. Table 3.347 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to an increase in the number of farmers benefiting from certified maize seeds and fertiliser in the period.

Table 3.347: Murang'a County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
1	Sports, Youth, Culture, Gender and Social Services	Murang'a Youth Service- Youth Empowerment Program	County wide	119,500,000	20,000,000	20,000,000	17
2	Agriculture, Livestock and Fisheries	Murang'a County Agricultural Farm Inputs And Incentive Subsidy program	County Wide	195,000,000	40,000,000	40,000,000	21
3	Agriculture, Livestock and Fisheries	Supply of Top Dressing and Planting Fertiliser to Farmers under the Food Security Programme	County Wide	58,000,000	29,000,000	29,000,000	50
4	Agriculture, Livestock and Fisheries	Supply Maize Seeds to Farmers under the Food Security Programme	County Wide	162,000,000	81,000,000	81,000,000	50
5	Water, Irrigation, Environment and Natural Resources	FLLoCCA	County wide	266,459,226	11,770,342	11,770,342	4

Source: *Murang'a County Treasury*

3.29.15 Budget Performance by Department

Table 3.348 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.348: Murang'a County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Millions)		Exchequer Issues (Kshs. Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governorship, County Coordination & Administration	314,084,209	10,000,000	60,785,208	-	60,785,208	-	100.0	-	19.4	-

Department	Budget Allocation (Kshs. Millions)		Exchequer Issues (Kshs. Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance, & Economic Planning	344,358,969	33,000,000	67,635,097	-	67,635,097	-	100.0	-	19.6	-
Agriculture, Livestock & Fisheries	304,644,858	623,233,198	86,857,696	150,000,000	86,857,696	150,000,000	100.0	100.0	28.5	24.1
Energy Transport & Roads	36,347,435	1,427,408,897	2,810,127	-	2,810,127	-	100.0	-	7.7	-
Commerce, Trade, Industry & Tourism	46,750,000	183,000,000	6,395,209	-	6,395,209	-	100.0	-	13.7	-
Education & Technical Training	715,323,424	36,500,000	144,657,926	-	144,657,926	-	100.0	-	20.2	-
Health & Sanitation	3,426,645,088	401,672,527	274,605,455	-	274,605,455	-	100.0	-	8.0	-
Lands, Housing & Physical Planning	52,062,983	17,000,000	3,477,270	-	3,477,270	-				-
County Public Service Board	28,844,175	-	4,919,541	-	4,919,541	-				-
Youth, Culture, Gender, Social Services & Special Programs	92,798,723	167,800,000	14,830,841	20,000,000	14,830,841	20,000,000				11.9
Environment, Natural Resources, Water & Irrigation	122,820,066	338,659,226	14,499,783	11,770,342	14,499,783	11,770,342				3.5
Public Service Administration & Information Technology	1,414,173,110	20,000,000	188,689,859	-	188,689,859	-	100	-	13.3	-
Murang'a Municipality	62,962,595	81,000,000	7,846,926	-	7,846,926	-	100	-	12.5	-
Kenol Municipality	26,550,010	73,250,000	-	-	-	-	-	-	-	-
Kangari Municipality	26,050,000	10,500,000	-	-	-	-	-	-	-	-
Devolution & External Linkages	56,700,000	375,895,000	-	-	-	-	-	-	-	-
County Assembly	816,710,947	30,000,000	40,102,620	-	40,102,620	-	100	-	4.9	-
Total	7,887,826,592	3,828,918,848	918,113,559	181,770,342	918,113,559	181,770,342				

Source: *Murang'a County Treasury*

Analysis of expenditure by departments shows that the Department of Agriculture, Livestock and Fisheries recorded the highest absorption rate of development budget at 24.1 per cent, followed by the Department of Sports and Youth at 11.9 per cent. The Department of Agriculture, Livestock and Fisheries had the highest percentage of recurrent expenditure to budget at 28.5 per cent, while the County Assembly had the lowest at 4.9 per cent.

3.29.16 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Promotion of Food security in the Department of Agriculture, Livestock and Fisheries at 47.7 per cent, Youth Empowerment sub-programme in the Department of Youth, Sports and Culture at 16.7 per cent, and Climate Change sub-programme at 4.4 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: County Executive and Cordination sub program in the Department of Governorship and administration at 33.7 per cent, General administration planning and support services in the Department of Agriculture, Livestock and Fisheries at 29.9 per cent, Motivation of Primary and Secondary students at 29.8 per cent and General administration planning and support services in the Department of Finance and Economic Planning at 29.6 per cent of the budget allocation.

3.29.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated Sixteen (16) accounts in commercial banks, including eight (8) accounts for Health Facilities, four (4) accounts for Established Funds, one (1) revenue account, two (2) special-purpose accounts (additional allocations), and one (1) imprest account.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for the opening of the 16 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.29.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report.
ii. The underperformance of own-source revenue at Kshs.210.12 million against an annual target of Kshs.1,606.67 million, representing 13 per cent of the financial year target.
iii. Low development performance in the review period, as the County incurred Kshs.181.77 million on development activities, achieving a 4.7 per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the County Assembly Car and Mortgage Fund had lapsed, making them ineligible for further withdrawals.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the County Assembly Car and Mortgage Fund were not submitted to the CoB as of 15 October 2025.
vi. High level of trade payables, which amounted to Kshs.1.62 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vii. Use of manual payroll. Personnel emoluments amounting to Kshs.28.66 million for 35 staff not on-boarded into HRIS, and five casual staff were processed through manual payroll, accounting for 4 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
viii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
ix. The County reported accrued revenues of Kshs.41.83 million, on plot rates. These arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

vii. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

viii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

ix. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.30. County Government of Nairobi

3.30.1 Overview of FY 2025/26 Budget

The Nairobi City County Approved Budget for FY 2025/26 is Kshs.44.62 billion. It comprises Kshs.13.42 billion (30 per cent) and Kshs.31.2 billion (69 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.1.06 billion (2.4 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.14.26 billion and a recurrent budget of Kshs.29.3 billion. The increase in the budget attributed to increase in equitable share of revenue raised nationally by Kshs.1.24 billion from Kshs.20.18 billion in FY 2024/25 to Kshs.21.42 billion in FY 2025/25. Priority of the increment was given towards settlement of Trade Payables.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.21.42 billion (48 per cent), additional allocations of Kshs.625.84 million (1.4 per cent), a cash balance of Kshs.1 billion (2.2 per cent) brought forward from FY 2024/25, and Kshs.21.58 billion (48.4 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.349.

3.30.2 Revenue Performance

During the first quarter of FY 2025/26, the County received Kshs.6.61 billion in revenue. This amount represented an increase of 21 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.5.45 billion. The total revenue consisted of Kshs.3.43 billion from the equitable share of revenue raised nationally, and own-source revenue (OSR) collection of Kshs2.47 billion. Additionally, the County had a cash balance of Kshs.719.85 million from FY 2024/25. The total OSR collection of Kshs.2.47 billion included Facilities Improvement Financing (FIF) of Kshs.412.46 million, and Kshs.58.15 million from the liquor fees. No additional allocations from the national government and development partners was received. Table 3.349 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.349: Nairobi City County, Revenue Performance in FY 2025/26

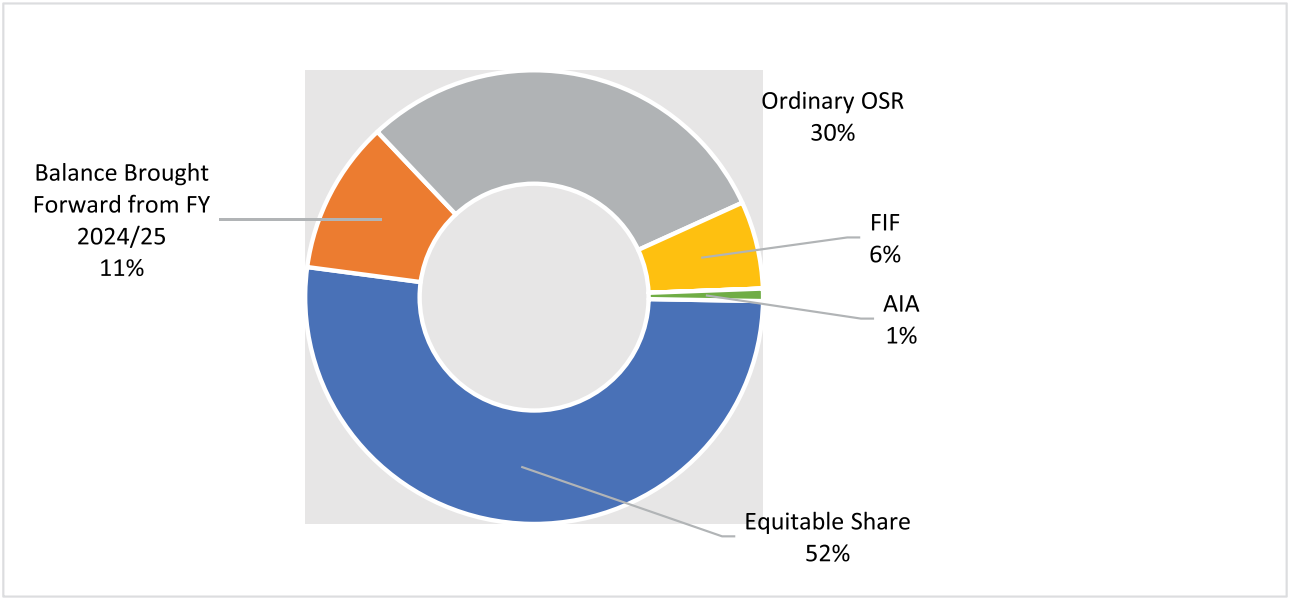
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	**21,417,000,000**	**3,428,560,853**	**16.0**
Subtotal		**21,417,000,000**	**3,428,560,853**	**16.0**
B	**Equalisation Fund Disbursement**	-	-	-
Subtotal				
C	**Additional Allocations**			
1	IDA Credit--Second Kenya Devolution Support Programme KDSP II	390,000,000	-	-
2	World Bank -Kenya Informal Settlement Improvement Project II	200,000,000	-	-
3	DANIDA Grant-Primary Health Care in Devolved Context	35,838,750	-	-
Subtotal		**625,838,750**	-	-

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
D	**Ordinary Own Source Revenue (OSR)**			
1	Land Rates	6,750,000,000	212,281,014.79	**3.1**
2	Parking fees (total)	3,000,000,000	408,496,588.00	**13.6**
3	Unified/Single Business Permits	3,200,000,000	348,094,160.00	**10.9**
4	Plans and Inspections (Building Permits)	3,070,500,000	378,913,215.00	**12.3**
5	Billboards and advertisements	1,212,000,000	200,849,754.80	**16.6**
6	House Rents	606,000,000	128,967,592.00	**21.3**
7	Fire Inspection Certificates	36,360,000	493,000.00	**1.4**
8	Food Handlers Certificates	303,000,000	28,511,481.00	**9.4**
9	Markets	565,600,000	57,145,876.00	**10.1**
10	Other Incomes	1,198,590,589	231,232,343.61	**19.3**
Subtotal		**19,942,050,589**	**1,994,985,025**	**10.0**
E	**Facility Improvement Fund (FIF)**			
3	Nairobi Funeral Home	36,000,000	-	**0.0**
4	Hospitals FIF	1,200,000,000	412,264,979	**34.4**
Subtotal		**1,236,000,000**	**412,264,979**	**33.4**
F	**Other AIAs**			
1	Liquor Fees	400,000,000	58,147,589	**14.5**
Subtotal		**400,000,000**	**58,147,589**	**14.5**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	1,000,000,000	719,846,602	**72.0**
Subtotal		**1,000,000,000**	**719,846,602**	**72.0**
Grand Total		**44,620,889,339**	**6,613,805,048**	**14.8**

Source: *Nairobi City County Treasury*

The County has governing legislation regarding the operation of ordinary A-I-A and F.I.F., as outlined in the Liquor Act and the Health Act, respectively. Figure 171 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

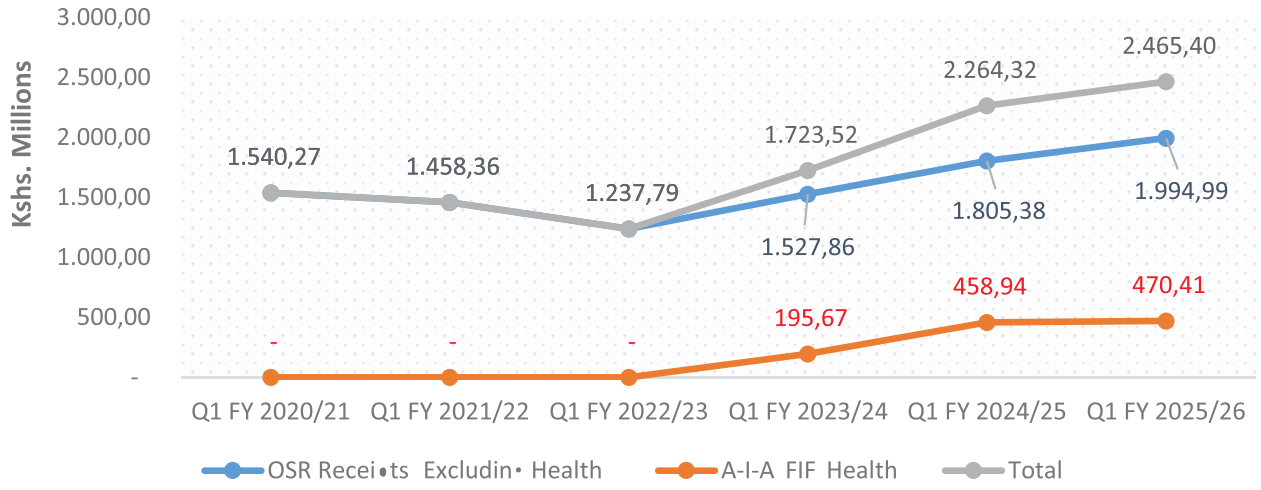
Figure 171: Nairobi City County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Nairobi City County Treasury*

The equitable share of revenue raised nationally, OSR and balance brought forward contributed 52 per cent, 30 per cent, and 11 per cent respectively of the total receipts for the reporting period. Figure 172 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 172: Nairobi City County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

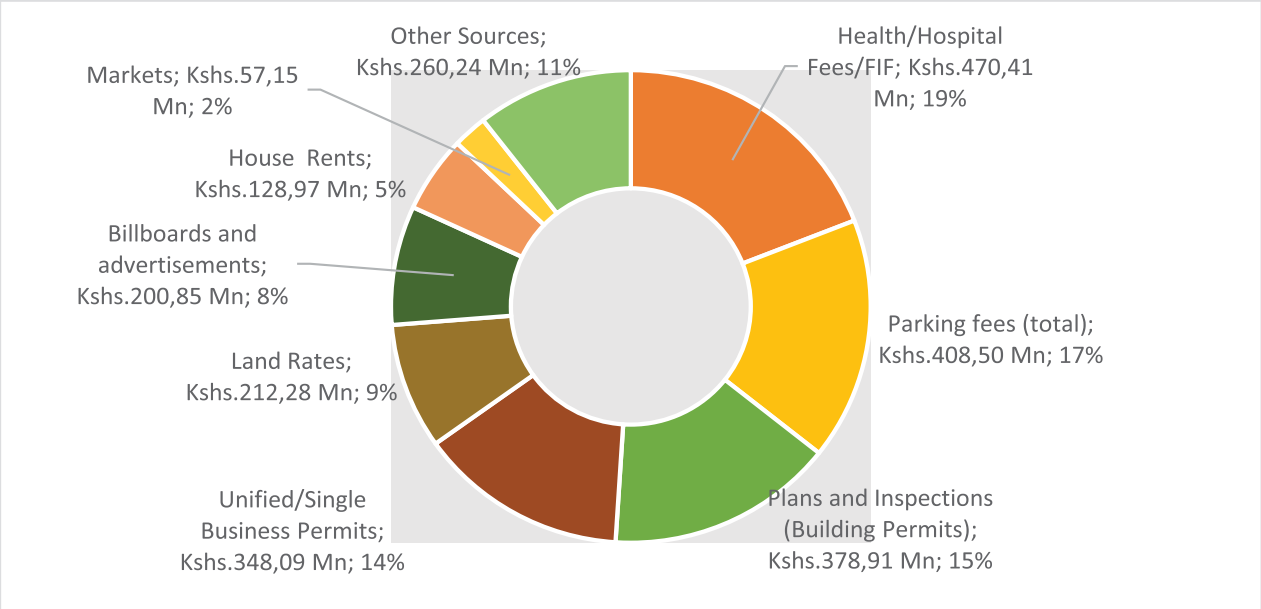


Source: *Nairobi City County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.2.47 billion from its revenue sources, including FIF. This amount was an increase of 9 per cent compared to Kshs.2.26 billion realised in a similar period in FY 2024/25 and was 11 per cent of the annual target and 72 per cent of the equitable revenue share disbursed. The County did not explain the reasons for the increase in its OSR.

The revenue streams that contributed the highest OSR receipts are shown in Figure 173.

Figure 173: Nairobi City County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Nairobi City County Treasury

As shown in Figure 173, the highest revenue stream, at Kshs.470.41 million, was from Health/Hospital Fees/FIF, accounting for 19 per cent of the total OSR receipts. The County Government has automated all the revenue streams except F.I.F.

3.30.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.62.28 billion, this amount increased to Kshs65.19 billion as of 30th September 2025. Table 3.350 presents a breakdown of the County's revenue arrears.

Table 3.350: Nairobi City County Revenue Arrears as of 30 September 2025

No.	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26		Revenue Arrears as of 30 September 2025 (Kshs.)
			Arrears received during the quarter (Kshs)	Arrears earned during quarter one FY 2025/26 (Kshs)	
	Own Source Revenue	**A**	**b**	**c**	**d=a-b+c**
1	Sundry debtors	711,184,169	18,925,116	29,507,953	721,767,006
2	Rental Houses/ Market Stalls	447,182,881	129,513,047	157,376,772	475,046,606
3	Land rates	54,036,516,411	102,048,703	1,293,600,062	55,228,067,770
4	Loading zones - Private	16,740,000	17,500,000	9,000,000	8,240,000
5	Loading zones - G.O.K	755,570,800	-	-	755,570,800
6	Outdoor Advertising & Billboards	371,735,204	104,497,251	338,960,668	606,198,621
7	Way leaves - Others	293,726,170	38,137,790	255,068,070	510,656,450
8	Way leave - KPLC	5,644,800,000	-	201,600	5,645,001,600
	Sub-Total	**62,277,455,635**	**410,621,907**	**2,083,715,125**	**63,950,548,853**
	F.I.F and A.I.A				
1	Facility Improvement Fund (FIF)	1,238,933,527	-	-	1,238,933,527
	Sub-Total	**1,238,933,527**	-	-	**1,238,933,527**
	Total	**63,516,389,162**	**410,621,907**	**2,083,715,125**	**65,189,482,380**

Source: Nairobi *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.65.19 billion. The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include.

1. **Land Rates**

Prioritise data cleansing to establish clear ownership, property locations, and debts, eliminate ghost and duplicate entries, and issue demand notices to all defaulters, with flexible repayment options for compliant taxpayers. For persistent cases, the County will enforce the National Rating Act by issuing agency notices to banks, filing property liens, and imposing penalties, ensuring no transfers or transactions are cleared without settlement.

2. House Rents

The County will digitise all tenancy records to identify arrears per unit and eliminate ghost occupants. Verified tenants will receive demand notices, while eviction or auction procedures will be enforced on chronic defaulters. At the same time, flexible repayment plans will facilitate compliance. With improved tenant accountability and updated rent registers, the County can recover significant arrears while aligning rental income with current market values.

3. Advertisements & Billboards

Outdoor advertising will be fully digitised through GIS mapping of all billboards and signage, linked to permits and payment records. Defaulters will receive demand notices, and persistent non-payers will face takedowns or penalties. Partnering with advertising agencies under enforceable contracts will increase compliance. The County will also issue agency notices to enforce compliance.

3.30.4 Borrowing by the County

At the beginning of the FY 2025/26, the County Assembly had an outstanding balance from Family Bank of Kshs.243.7 million. During the reporting period, it borrowed an additional Kshs.73 million from Family Bank to support its operations. The Assembly had not repaid the loan; therefore, by 30 September 2025, the total amount borrowed from Family Bank was Kshs.316.67 million.

The County Executive has a bank overdraft facility with the Co-operative Bank of Kenya Limited to cover its personnel emoluments, which average Kshs.1.6 billion per month. As of 30 September 2025, it had an overdraft

balance of Kshs.1.54 billion and had paid Kshs 68.38 million in the form of bank charges, commissions, and penalties during the period under review for use of the facility.

Additionally, the County has a long-standing KCB loan of Kshs.4,504,199,426 (secured in 2010 during the defunct Nairobi City Council), which is listed in the Trade Payables.

3.30.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.5.51 billion from the CRF account during the reporting period, which comprised Kshs.202.18 million (3.7 per cent) for development programmes and Kshs.5.31 billion (96.3 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.4.79 billion was towards employee compensation and Kshs.518.1 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that the County did not incur any expenditure for domestic travel and foreign travel during the reporting period.

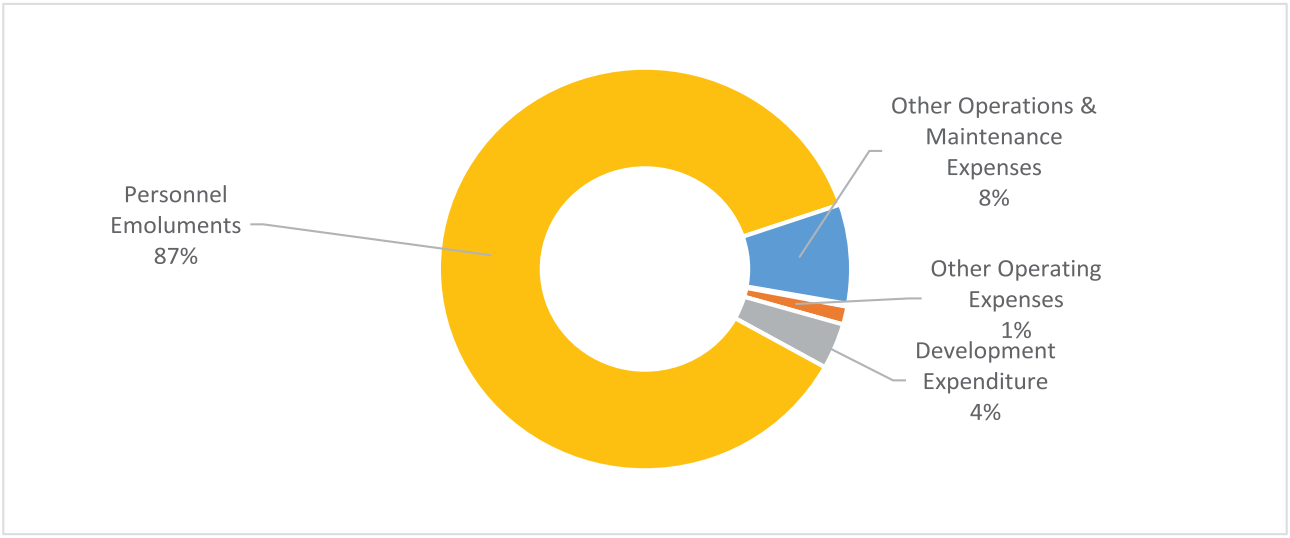
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.750.19 million.

3.30.6 Expenditure Review

The County spent Kshs.5.51 billion on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.202.18 million for development programmes and Kshs.5.31 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 1.5 per cent, while recurrent expenditure represented 17 per cent of the annual recurrent expenditure budget.

Figure 174 provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 174: Nairobi City County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Nairobi City *County Treasury*

As shown in Figure 174, the three highest expenditure categories were personnel emoluments, Other operations and maintenance, and development expenditure, contributing 87 per cent, 8 per cent, and 4 per cent of total expenditure, respectively, for the reporting period.

3.30.7 Settlement of Trade Payables

As of 1st July 2025, the County reported Trade Payables totalling Kshs.86.77 billion. This amount included Kshs.86.12 billion from the County Executive and Kshs.650.6 million from the County Assembly. The Trade Payables from the County Executive consisted of Kshs.78.95 billion for recurrent expenditures and Kshs.7.17

billion for development expenditures.

During the reporting period, the County Executive settled Trade Payables amounting to Kshs.3.88 billion, comprising Kshs.3.67 billion (95 per cent) for recurrent programmes and Kshs.202.18 million (5 per cent) for development programmes. On the other hand, the County Assembly did not settle any Trade Payables. The outstanding Trade Payables as of 30th September 2025 was Kshs.82.24 billion for County Executive and Kshs.650.6 million for the County Assembly. Table 3.351 provides additional details of Trade Payables.

Table 3.351: Nairobi City County Trade Payables as of 30th September 2025

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	Executive	7,169,429,964	78,949,124,773	86,118,554,737
	Assembly	-	650,598,395	650,598,395
	Total	**7,169,429,964**	**79,599,723,169**	**86,769,153,132**
Amount paid in FY 2025/26	Executive	202,184,000	3,674,313,773	3,876,497,773
	Assembly	-	-	-
	Total	**202,184,000**	**3,674,313,773**	**3,876,497,773**
Outstanding Trade Payables as of 30 September 2025	Executive	6,967,245,964	75,274,811,001	82,242,056,964
	Assembly	-	650,598,395	650,598,395
	Total	**6,967,245,964**	**75,925,409,396**	**82,892,655,360**

Source: *Nairobi* City *County Treasury*

The County Executive submitted a generalised universal payment plan, and the County Assembly submitted a detailed Trade Payables payment plan, committing to pay Kshs.8.84 billion and Kshs.650.6 million, respectively, in FY 2025/26. The County Executive cleared Kshs.3.88 billion. The County Assembly did not make any payments towards settlement of Trade Payables.

Table 3.352 and Table 3.353 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.82.89 billion.

Table 3.352: Nairobi County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total (Kshs.)
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Expenditure	1,418,045,965	1,305,157,697	1,205,688,304	3,038,353,998	6,967,245,964
Recurrent Expe. Trade Payables (Goods & Services)	6,178,095,054	1,996,237,188	6,785,466,126	16,918,517,796	31,878,316,165
Recurrent Exe. Trade Payables (Salary Arrears)	5,626,701	-	-	-	5,626,701
Recurrent Expe. Trade Payables (Statutory Deductions)	-	-	-	42,198,790,774	42,198,790,774
Recurrent Expe. Trade Payables (Staff Claims)	691,052,734	208,574,751	67,816,859	224,633,017	1,192,077,360
Total Recurrent Expe. Trade Payables	6,874,774,489	2,204,811,939	6,853,282,985	59,341,941,587	75,274,811,001
Sub Total County Executive Trade Payables	**8,292,820,454**	**3,509,969,636**	**8,058,971,289**	**62,380,295,585**	**82,242,056,964**
% of Sub Total County Executive Trade Payables	**10.1**	**4.3**	**9.8**	**75.8**	**100.0**

Source: *Nairobi City County Treasury*

Table 3.352 shows that 76 per cent of the Executive's debts are over three years old, while only 14 per cent are under two years old. As of September 30, 2025, recurrent trade payables make up 92 per cent of outstanding bills.

Table 3.353: Nairobi County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Recurrent Exp. Trade Payables (Goods & Services)	344,055,552	-	-	-	344,055,552
Recurrent Expe. Trade Payables (Salary Arrears)	27,578,194	-	-	-	27,578,194
Recurrent Expe. Trade Payables (Staff Claims)	278,964,648	-	-	-	278,964,648
Total Recurrent Expe. Trade Payables	650,598,394	-	-	-	650,598,394
Sub Total County Assembly Trade Payables	**650,598,394**	**-**	**-**	**-**	**650,598,394**
% of Sub Total County Assembly Trade Payables	**100.0**	**-**	**-**	**-**	**100.0**

Source: *Nairobi City County Treasury*

Table 3.353 shows that 100 per cent of Assembly's trade payables are less than one year old, and all of them are recurrent in nature.

3.30.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.4.64 billion for compensation of employees, Kshs.670.76 million for operations and maintenance, and Kshs.202.18 million for development activities. Similarly, the County Assembly spent Kshs.151.61 million on compensation of employees and did not report any expenditures on operations and maintenance and development activities, as shown in Table 3.354

Table 3.354: Nairobi City County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**29,564,279,609**	**1,638,909,510**	**5,159,505,457**	**151,611,148**	**17.5**	**9.3**
Compensation of Employees	16,578,479,703	1,010,664,541	4,640,359,545	151,611,148	28.0	15.0
Operations and Maintenance	12,985,799,906	628,244,969	519,145,911	-	4.0	-
Development Expenditure	**12,417,700,220**	**1,000,000,000**	**202,184,000**	**-**	**1.6**	**-**
Total	**41,981,979,829**	**2,638,909,510**	**5,361,689,457**	**151,611,148**	**12.8**	**5.7**

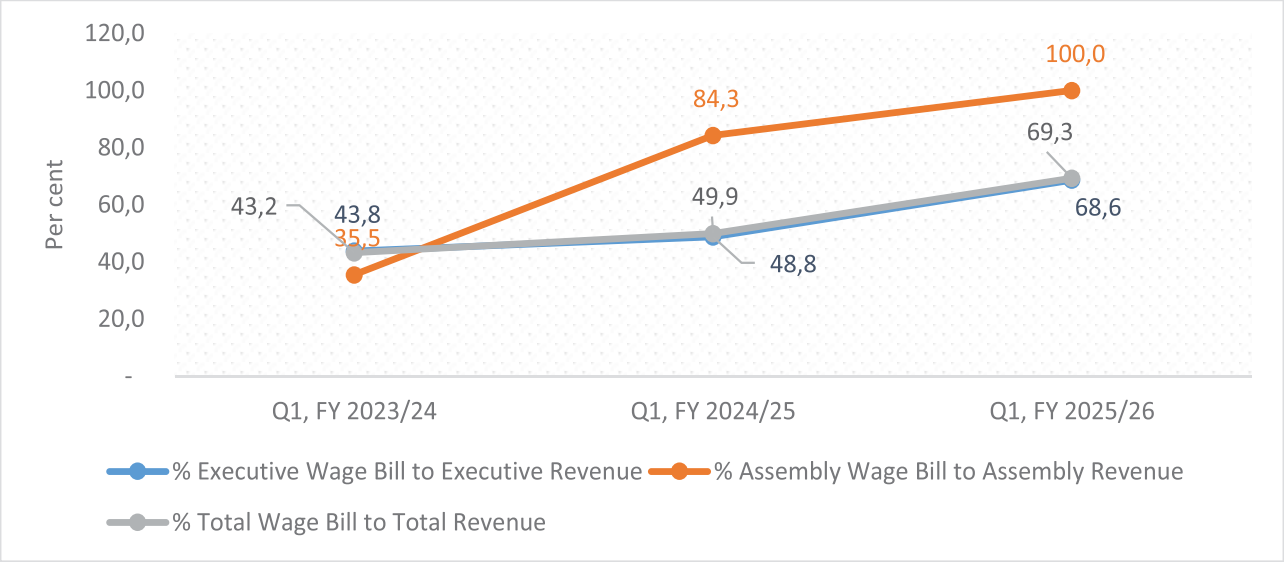
Source: *Nairobi City County Treasury*

3.30.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.4.79 billion. The percentage of compensation of employees to revenue was 69 per cent of the actual realised revenue during the period under review of Kshs.6.62 billion. This expenditure on employee compensation shows an increase compared to the Kshs.2.72 billion reported in a similar period in FY 2024/25. Of this total, Kshs.2.03 billion related to the Health Sector employees, accounting for 42 per cent of the overall employees' compensation. The increment of 76 per cent in employee compensation is attributed to the payment of May 2025 and June 2025 executive wages in the current financial year.

Figure 175 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 175: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Nairobi City County Treasury

As shown in Figure 175, the County Assembly apportioned 100 per cent of its first quarter of FY 2025/26 inflows towards compensation of employees, while the Executive apportioned 69 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis indicated that PE costs amounting to Kshs.4.68 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.109.61 million was processed through manual payroll, which accounted for 2 per cent of the total PE cost.

The manual payroll comprised salaries for ward staff not onboarded into the Human Resource Information System (HRIS), salaries for City Funeral Home, Langata Cemetery, and mobility casual staff, and community health workers staff, as shown in Table 3.355.

Table 3.355: Breakdown of Nairobi City County Manual Payroll

Category	County Executive	County Assembly	Total
Ward Staff Salaries	-	23,716,340	**23,716,340**
Salaries for casual staff	7,049,711		**7,049,711**
Community Health Workers	78,844,500	-	**78,844,500**
Total	**85,894,211**	**23,716,340**	**109,610,551**

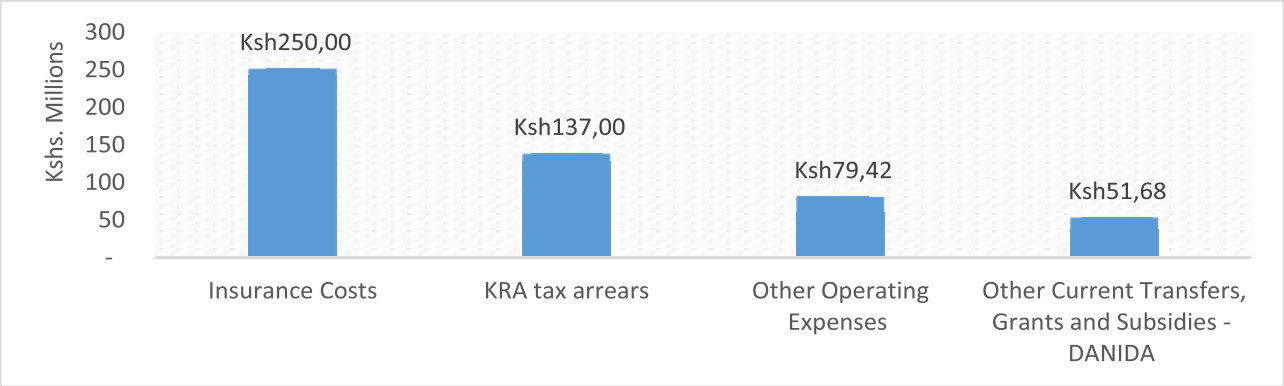
Source: Nairobi City County Treasury

The County Assembly spent Kshs.12.65 million on committee sitting allowances for the 124 MCAs against the annual budget allocation of Kshs.70 million. The average monthly sitting allowance was Kshs.34,010 per MCA. The County Assembly has 26 House Committees.

3.30.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.519.15 million on operations and maintenance, representing an increase of 207 per cent compared to a similar period of FY 2024/25, when the County spent Kshs.169.25 million. Figure 176 summarises the Operations and Maintenance expenditure by major categories.

Figure 176: Nairobi City County, Operations and Maintenance Expenditure by Major Categories



Source: *Nairobi City County Treasury*

3.30.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.79.42 million under "other Operating expenses" translates to 15 per cent of the cumulative operations and maintenance expenditure of Kshs.519.15 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.356.

Table 3.356: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
	Solid waste management	Paid as a pending Bill	79,419,161
	Total		79,419,161

Source: *Nairobi City County Treasury*

3.30.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. In FY 2025/26, the County allocated Kshs.70 million to County-Established funds, representing less than 1 per cent of the County's overall budget. Furthermore, the County allocated Kshs.150 million to the Emergency Fund (0.2 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.357 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.357: Performance of Nairobi City County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues FY 2025/26 (Kshs.)	Actual Expenditure in FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund since inception (Kshs)	Submission of Annual Financial Statements (Yes/No.)
	County Executive Established Funds					
1.	Biashara ward revolving fund	-	-	-	-	New Fund
	County Assembly Established Funds					
2.	Car Loan & Mortgage – County Assembly	70,000,000	-	-	1,016,000,000	Yes
	Total	**70,000,000**	**-**	**-**	**1,016,000,000**	

Source: *Nairobi County Treasury*

During the reporting period, the CoB received quarterly financial reports from Car Loan & Mortgage – Assembly. The administration costs of the Car Loan & Mortgage – County Assembly Fund were Kshs.26,000 translating to less than 1 per cent, which was below the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulation 2015.

The County government uses commercial bank accounts to operate the above-established Funds contrary to Regulations 82(1)(b) of the PFM (County Governments) Regulations, 2015, which requires that County Government bank accounts must be opened and maintained at the Central Bank of Kenya. Regulation 197(1)(i) of the Public Finance Management (County Governments)

Regulations, 2015, allow County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the lifespan of the County Assembly Car Loan & Mortgage Fund will lapse in the financial year 2026/27.

3.30.13 County Corporations

The County has one corporation: Nairobi Water and Sewerage Company, which operates independently. In FY 2025/26, the County did not allocate funds to this Corporation.

3.30.14 Expenditure on Domestic and Foreign Travel

The County Government did not report any expenditure on domestic travel and foreign travel during the reporting period.

3.30.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.412.26 million as FIF, which was 33 per cent of the annual target of Kshs.1.24 billion. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.409.84 million, as shown in Table 3.358.

Table 3.358: Nairobi County Health Facilities Expenditure Performance in FY 2025/26

Level of Health Facility	Number of facilities	Approved Budget for the Facilities (Kshs.)	Actual Expenditure of the Facilities (Kshs.)	Absorption rate (%)
Level 5 Hospitals	4	1,370,620,947	192,235,483	14
Level 4 Hospitals	12	183,900,261	39,919,066	22
Level 3 Hospitals	43	806,339,283	177,689,839	22
Total		**2,360,860,491**	**409,844,388**	**17**

Source: *Nairobi County Treasury*

3.30.16 Development Expenditure

In the review period, the County reported spending Kshs.202.18 million on development programmes, representing an increase compared to a similar period of FY 2024/25, when the County did not report any expenditure. Table 3.359 summarises the development projects with the highest expenditure in the reporting period.

Table 3.359: Nairobi City County, List of Development Projects with the Highest Expenditure

Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs.)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
County Funded Projects							
Mobility and Works	Supply and delivery of Bitumen	County wide	Continuous	Frame work	51,846,000	51,846,000	100.0
Environment, Water, Energy & Natural Resources	Supply of medium track dozer with tipper	City Hall	Continuous	Frame work	75,169,000	75,169,000	100.0

Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs.)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
Environment, Water, Energy & Natural Resources	Supply and delivery of medium tracked dozer with ripper 210-240 hp Shantui sd22 China	City Hall	Continuous	Frame work	75,169,000	75,169,000	100.0

Source: *Nairobi City County Treasury*

The County did not report any stalled development projects as of 30 September 2025

3.30.17 Budget Performance by Department

Table 3.360 summarises the approved budget allocation, expenditure, and absorption rate by departments in the period under review.

Table 3.360: Nairobi City County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	119.21	-	14.13	-	10.62	-	8.9	-
Finance & Economic Planning	4,480.49	1,207.00	704.61	42.62	545.29	42.62	12.2	3.5
Public Service Management	1,427.52	10.00	399.35	-	325.27	-	22.8	-
Agriculture, Livestock Development, Fisheries & Forestry	238.19	85.00	37.11	-	44.55	-	18.7	-
County Assembly	1,638.91	1,000.00	151.61	-	151.61	-	9.3	-
Environment, Water, Energy & Natural Resources	2,667.02	845.00	499.78	-	590.88	-	22.2	-
Ward Development Programs	88.11	2,155.00	7.45	-	-	-	-	-
Emergency Fund	150.00	-	-	-	-	-	-	-
Liquor Licensing Board	299.00	101.00	-	-	1.04	-	0.3	-
Boroughs and Public Administration	4,105.99	1,280.30	675.99	-	864.00	-	21.0	-
County Attorney	636.31	15.00	13.91	-	36.49	-	5.7	-
Innovation and Digital Economy	196.26	258.61	27.18	-	27.79	-	14.2	-
Health Wellness & Nutrition	9,656.32	849.51	2,072.79	-	2,077.21	-	21.5	-
Built Environment & Urban Planning	531.08	579.14	85.40	150.34	106.28	150.34	20.0	26.0
Mobility and Works	1,589.24	2,824.27	172.74	-	104.04	-	6.5	-
Talent Skills Devt & Care	2,237.70	1,236.00	291.45	9.23	268.44	9.23	12.0	0.7
Business & Hustler Opportunities	620.28	805.25	99.80	-	124.29	-	20.0	-
Inclusivity Public Participation & Citizen Engagement	314.81	141.63	39.30	-	33.31	-	10.6	-
Nairobi Revenue Authority	206.76	25.00	17.48	-	-	-	-	-
Total	**31,203.19**	**13,417.70**	**5,310.07**	**202.18**	**5,311.12**	**202.18**	**17.0**	**1.5**

Source: *Nairobi City County Treasury*

Analysis of expenditure by departments shows that the Department of Built Environment & Urban Planning recorded the highest absorption rate of development budget at 26 per cent, followed by the Department of Finance & Economic Planning at 3.5 per cent. The Department of Public Service Management had the highest percentage of recurrent expenditure to budget at 22.8 per cent, while the Department of Nairobi Revenue Authority, Ward Development Programs, and Emergency Fund did not report any expenditure.

3.30.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption

rates, were: Solid Waste Management in the Department of Environment, Water, Energy & Natural Resources at 22.1 per cent, Debt Management Headquarters in the Department of Finance and Economic Planning at 4.7 per cent of the budget allocations. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Health centres & dispensaries in the Department of Health Wellness & Nutrition at 82 per cent, Health, Wellness & Nutrition Headquarters in the Department of Health Wellness & Nutrition at 28 per cent, and General Administrative Services program under the Built Environment and Planning Headquarters at 27.3 per cent of the budget allocation.

3.30.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 174 accounts with commercial banks (County Assembly -8 and County Executive- 166), including 123 accounts for Health Facilities, 11 accounts for Vocational Training Centres, five accounts for Established Funds, five revenue accounts, 16 special purpose accounts (additional allocations), 2 Early Childhood Development Accounts (ECDs), two imprest accounts, one recurrent operational account and one development operational accounts.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of all commercial bank accounts, as required under Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.30.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on November 11 2025.
ii. The underperformance of own-source revenue at Kshs.2.47 billion against an annual target of Kshs.21.18 billion, representing 12 per cent of the financial year target which is below the expected 25 per cent.
iii. Low development performance in the review period as the County incurred Kshs.202.18 million on development activities, achieving a 1.5 per cent absorption rate.
iv. High level of Trade Payables, which amounted to Kshs.82.89 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the Trade Payables by the County Treasury.
v. Use of manual payroll. Personnel emoluments amounting to Kshs.109.61 million for casual staff, gratuity for contract staff, and community health workers were processed through manual payroll, accounting for 2.3 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015. The County Government uses commercial bank accounts for operations contrary to Regulations 82(1) (b) of the PFM (County Governments) Regulations, 2015, which requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The commercial bank accounts are for Health Facilities, Vocational Training Centres, Established Funds, special purpose accounts (additional allocations), and Early Childhood Development Accounts (ECDs).
vii. Lack of an HR plan (action plan) to reduce the wage bill to 35 per cent by June 2028 in line with the Third National Wage Bill Conference of 2024.
viii. The County reported revenue arrears of Kshs.65.19 billion comprising of OSR of Kshs 63.95 billion (of

which land rates Kshs.55.23 billion) and FIF of Kshs.1.24 billion. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County Leadership should address the situation of Trade Payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
v. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
vii. *The County treasury should submit an HR plan (action plan) to reduce the wage bill to 35 per cent by June 2028, in line with the Third National Wage Bill Conference of 2024.*
viii. *The County has developed strategies for receiving the revenue arrears, including data cleansing for land rates, digitising tenancy records, and digitising GIS mapping of billboards and signage. The County move forward and implements its strategies.*

3.31. County Government of Nakuru

3.31.1 Overview of FY 2025/26 Budget

The Nakuru County Approved Budget for FY 2025/26 is Kshs.22.40 billion. It comprises Kshs.7.47 billion (33 per cent) and Kshs.14.92 billion (67 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.1.33 billion (6 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.6.99 billion and a recurrent budget of Kshs.14.08 billion.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.14.32 billion (64 per cent), additional allocations of Kshs.1.83 billion (8 per cent), a cash balance of Kshs.1.67 billion (7 per cent) brought forward from FY 2024/25, and Kshs.4.58 billion (20 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.361.

3.31.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.7.32 billion in revenue. This amount represented an increase of 90 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.3.85 billion. The total revenue consisted of Kshs.2.32 billion from the equitable share of revenue raised nationally, own-source revenue (OSR) collection of Kshs.792.01 million. Additionally, funds brought forward from FY 2024/25 amounted to Kshs.4.21 billion. The total OSR collection of Kshs.792.01 million included Facilities Improvement Financing (FIF) of Kshs.542.88 million, and Kshs.249.14 million from other OSR sources. Table 3.361 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.361: Nakuru County, Revenue Performance in FY 2025/26

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	14,315,950,029	2,318,106,685	**16**
Subtotal		**14,315,950,029**	**2,318,106,685**	**16**

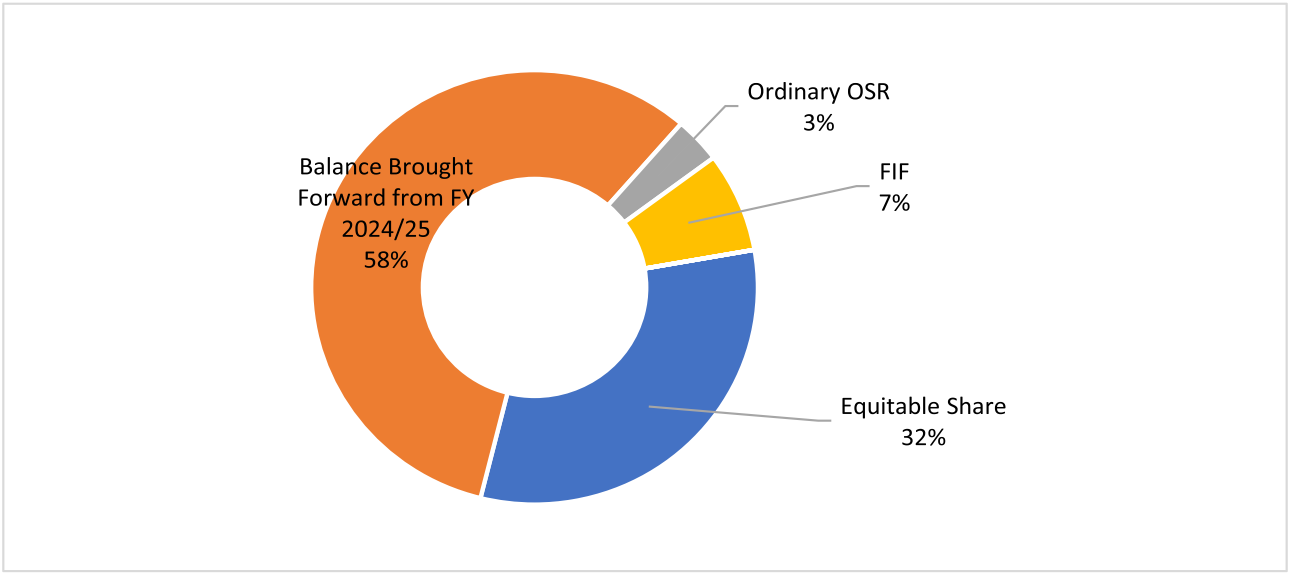
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
B	**Equalisation Fund Disbursement**			
	Subtotal			
C	**Additional Allocations**			
1	Conditional Fund -Kenya Urban Support Project (KUSP) - Urban Development Grant	671,683,509	0	0
2	Kenya Devolution Support Program (KDSP) II Level II	352,500,000	0	0
3	World Bank Grant Financing Locally-Led Climate Action (FLLoCA) Program – County Climate Resilience Investment Grant	188,211,085	0	0
4	World Bank National Agricultural Value Chain Development Project (NAVCDP)	151,515,152	0	0
5	Conditional grant from GoK for Aggregated Industrial Parks Programme (CAIPs)	105,263,158	0	0
6	Conditional Fund - World Bank - Kenya Informal Settlement Improvement Project II (KISIP II)	100,000,000	0	0
7	Conditional Allocation for Community Health Promoters (CHPs)	99,390,000	0	0
8	IFAD Conditional grant Kenya Livestock Commercialization Project (KELCOP)	38,280,000	0	0
9	Kenya Devolution Support Program (KDSP) II Level I	37,500,000	0	0
10	Conditional Fund -Kenya Urban Support Project (KUSP) - Urban Institutional Grant	35,000,000	0	0
11	Donor Grants (DANIDA)	23,583,750	0	0
12	World Bank Grant Finance Locally-Led Climate Action Program, (FLLoCA) - County Climate Institution Support (CCIS) Level I	11,000,000	0	0
13	Conditional Grant - Kenya Agricultural Business Development Project (KABDP)	10,918,919	0	0
14	Nutrition International Grant	10,000,000	0	0
	Subtotal	**1,834,845,573**	**0**	**0**
D	**Ordinary Own Source Revenue (OSR)**			
1	Royalties	291,201,012	60,858,836	21
2	Markets	54,415,204	10,566,445	19
3	Vehicle Parking Fees	316,948,194	55,667,428	18
4	Cess Revenue	73,529,323	9,835,701	13
5	Health Fees	95,752,325	12,174,220	13
6	Miscellaneous Income	163,891,807	18,043,012	11
7	Approval for Building Plans	127,075,934	10,477,285	8
8	Property tax (Plot & Land Rates)	326,593,517	25,715,364	8
9	Slaughter House Fees	26,994,375	2,066,050	8
10	Advertisements	205,961,686	12,027,661	6
11	Trade Licences	523,203,060	24,643,382	5
12	Alcoholics Drinks/Liquor	163,832,708	5,957,800	4
13	House rent	30,600,856	1,102,100	4
	Subtotal	**2,400,000,000**	**249,135,284**	10
E	**Facility Improvement Financing (FIF)**			
1	Facilities Improvement Financing	2,175,903,913	542,879,092	25
	Subtotal	**2,175,903,913**	**542,879,092**	**25**

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
F	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	1,670,702,716	4,208,744,323	252
2	County Executive Refunds to CRF		67,215,332	
3	County Assembly Refunds to CRF		3,032,700	
Subtotal		1,670,702,716	4,208,744,323	252
Grand Total		**22,397,402,231**	**7,318,865,384**	**33**

Source: *Nakuru County Treasury*

The County does not have governing legislation on the operation of ordinary A-I-A and FIF. Figure 177 provides a detailed breakdown of Revenue, showing a breakdown of each shilling received.

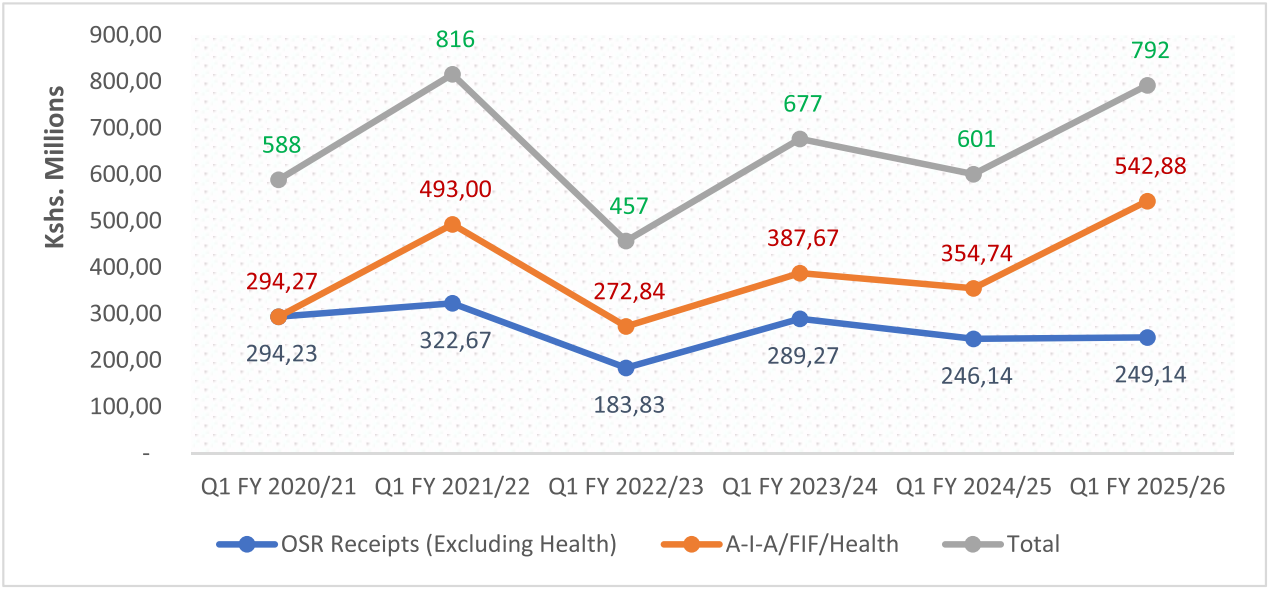
Figure 177: Nakuru County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Nakuru County Treasury*

Balance brought forward, the equitable share of revenue raised nationally and OSR contributed 58 per cent, 32 per cent and 11 per cent, respectively, of the total Revenue for the reporting period. Figure 178 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 178: Nakuru County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

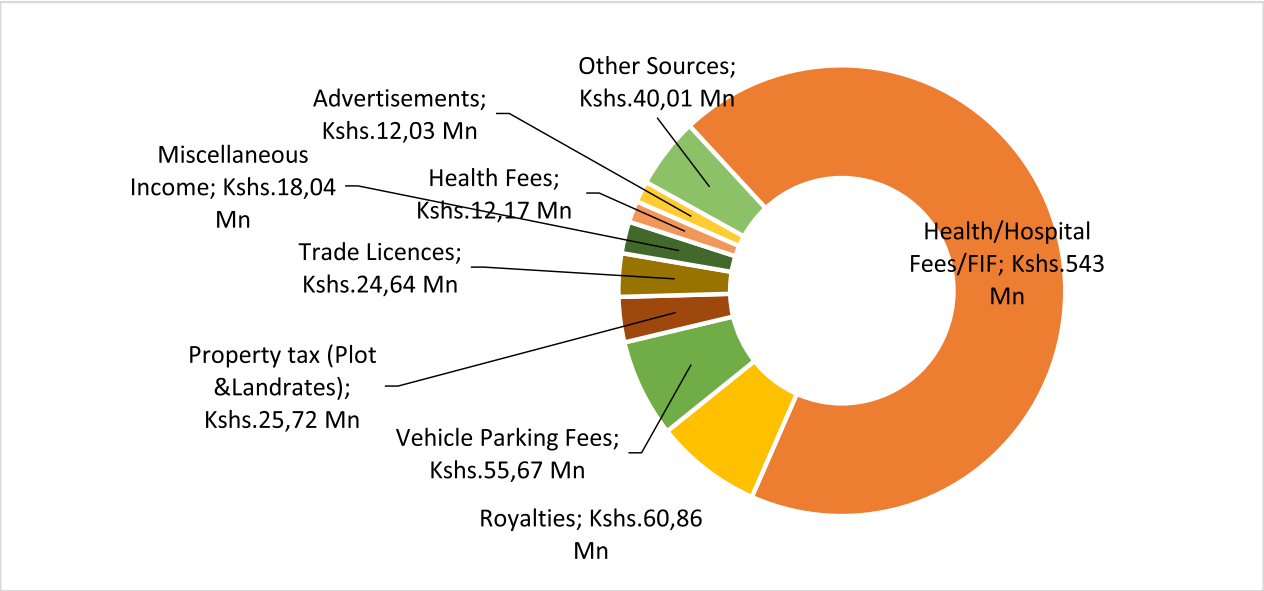


Source: *Nakuru County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.792.01 million from its revenue sources, including FIF. This amount was an increase of 32 per cent compared to Kshs.600.87 million realised in a similar period in FY 2024/25, and was 17 per cent of the annual target and 34 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR Revenue are shown in Figure 179.

Figure 179: Nakuru County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Nakuru County Treasury

As shown in Figure 179, the highest revenue stream, at Kshs.542.88 million, was from the Facility Improvement Financing (Hospital Fees), accounting for 69 per cent of the total OSR Revenue. The County Government indicated that it has automated all its revenue streams.

3.31.3 Revenue Arrears/ Receivables

As of 1st July 2025, the County reported Receivables of Kshs.12.59 billion, this amount increased to Kshs.13.64 billion as of 30th September 2025. Table 3.362 presents a breakdown of the County's Receivables.

Table 3.362: Nakuru County Receivables as of 30 September 2025

No	Revenue Stream	Receivables as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September				1,228,687,551	1,228,687,551
	Sub-Total				**1,228,687,551**	**1,228,687,551**
D	**Ordinary Own Sources of Revenue**					
1	Property rates	10,588,563,647			156,188,943	**10,744,752,590**
2	House rent	697,631,044			21,090,425	**718,721,469**
3	Market stalls	5,722,307			174,750	**5,897,057**
	Sub-Total	**11,291,916,998**			**177,454,118**	**11,469,371,116**
E	**Facility Improvement Financing (FIF)**					
1	SHIF	446,883,381	3,621,107	347,211,006	344,624,073	**443,993,868**
2	Defunct NHIF	483,336,849				**479,520,343**

No	Revenue Stream	Receivables as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
3	Insurance Companies	15,564,525	-	3,459,743	3,681,246	**15,479,708**
	Sub-Total	**945,784,755**	**3,621,107**	**350,670,749**	**348,305,319**	**938,993,918**
Total		**12,237,701,752**	**3,621,107**	**350,670,749**	**1,754,446,989**	**13,637,052,585**

Source: *Nakuru County Treasury*

As of 30 September 2025, the Receivables totalled to Kshs.13.64 billion, comprising Kshs.1.23 billion equitable share for September 2025, Kshs.11.47 billion for the own source revenue and Kshs.938.99 million for the Facility Improvement Financing (FIF). As of 30th September, 2025, the reported own sources Receivables of Kshs.12.41 billion, comprising the principal amount of Kshs.7.04 billion and Kshs.5.37 billion in interests/fines for non-payment of rates.

The measures instituted by the County to collect the outstanding Receivables include the use of legal frameworks such as the Housing Estates Tenancy and Management Bill, Revenue Administration Act, and Rating Act and other relevant laws to recover Receivables for land rates (property taxes), house rent (for County-owned housing), and stall rent (for market stalls). The other measures include administrative, legal, and enforcement actions, such as Sending Demand Notices, establishing a Debt Collection Unit, Improving Systems, and collaborating with the national government to recover significant Receivables from entities like Kenya Railways, Kenya Wildlife Services, and the Pyrethrum Board.

3.31.4 Borrowing by the County

The Nakuru County Government did not report any borrowing during the first quarter of the FY 2025/26.

3.31.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.44 billion from the CRF account during the reporting period, which was entirely for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.39 billion was towards employee compensation and Kshs.45.61 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 43 per cent was for domestic travel and 27 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.19.76 million and was for the County Assembly. The foreign exchequer totalled Kshs.12.23 million for the County Assembly, while the County Executive did not have an exchequer for foreign travel.

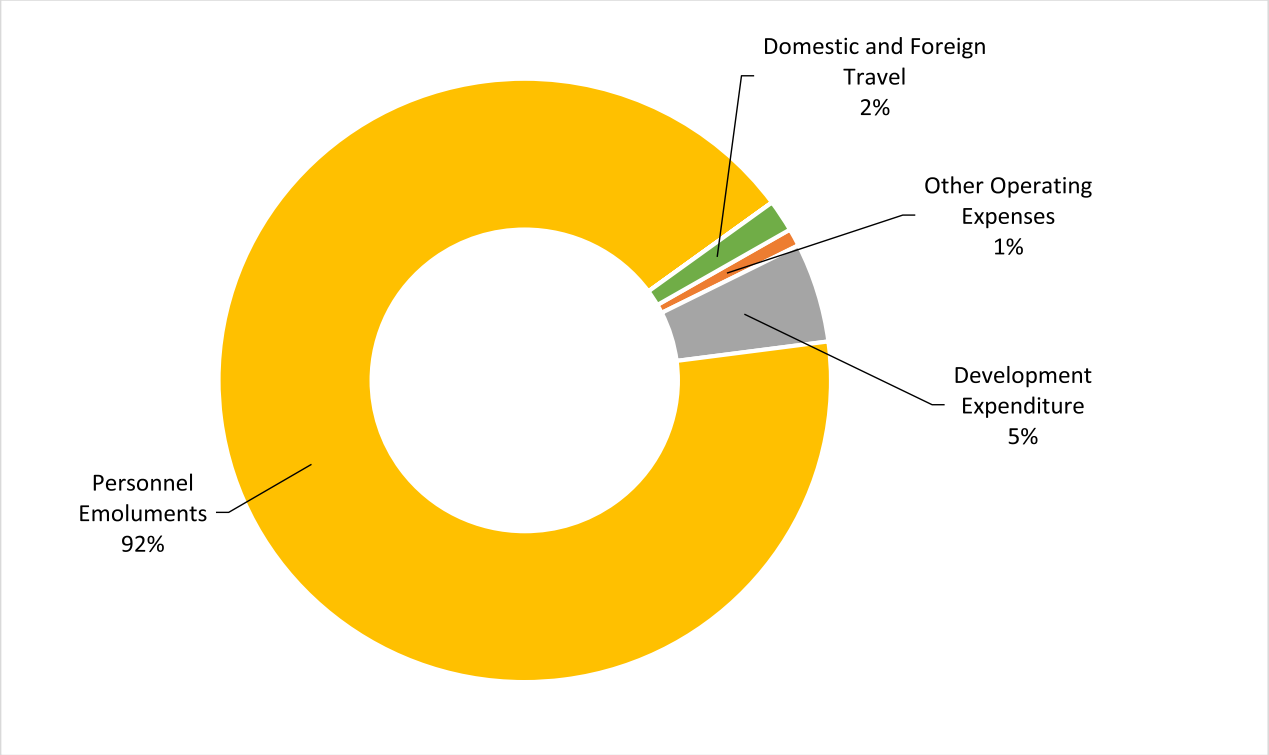
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.3.94 billion.

3.31.6 Expenditure Review

The County spent Kshs.1.82 billion on development and recurrent programmes in the reporting period. The expenditure represented 127 per cent of the total funds released by the CoB. It comprised Kshs.90.09 million for development programmes and Kshs.1.73 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 1 per cent, while recurrent expenditure represented 12 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 180: Nakuru County Composition of Each Shilling Incurred in the First Quarter of FY 2025/26



Source: Nakuru *County Treasury*

As shown in Figure 180, the three highest expenditure categories were Personnel Emoluments, development expenditure, and domestic and foreign expenses, which contributed 92 per cent, 5 per cent, and 2 per cent, respectively, of the total expenditure for the reporting period.

3.31.7 Settlement of Trade payables

As of 1st July 2025, the County reported Trade payables totalling Kshs.3.68 billion. This amount included Kshs.3.52 billion from the County Executive and Kshs.157.98 million from the County Assembly. The Trade payables from the County Executive consisted of Kshs.2.85 billion for recurrent expenditures and Kshs.668.73 million for development expenditures.

During the reporting period, the County Executive settled Trade payables amounting to Kshs.90.09 million, which was allocated for development programmes and paid from the Facility Improvement Financing (FIF) of the health sector.

The County Executive conducted a verification exercise to determine the actual total stock of Trade payables and identified an ineligible amount of Kshs 1.03 billion out of the initially reported bills of Kshs.3.52 billion, resulting in a reduction of the bills to Kshs.2.55 billion. The ineligible Trade payables will be subjected to further verification once the departments provide the necessary supporting documents.

The reported outstanding payables as of 30th September, 2025 was therefore Kshs.2.55 billion for County Executive and Kshs.157.98 million for County Assembly. Table 3.363 provides additional details of Trade payables.

Table 3.363: Nakuru County Trade payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	668,729,416	2,850,448,252	3,519,177,668
		County Assembly	0	157,978,093	157,978,093
		Total	**668,729,416**	**3,008,426,345**	**3,677,155,761**
Trade payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	203,224,097	493,068,105	696,292,202
		County Assembly	0	23,355,103	23,355,103
		Total	**203,224,097**	**516,423,208**	**719,647,305**
Amount paid in FY 2025/26	c	County Executive	90,087,580	0	90,087,580
		County Assembly	0	0	0
		Total	**90,087,580**	**0**	**90,087,580**
Trade payables Incurred in First Quarter of FY 2025/26	d	County Executive	0	0	0
		County Assembly	0	0	0
		Total	**0**	**0**	**0**
Outstanding Trade payables as of 30 September 2025	e=a-c+d	**County Executive**	**577,452,055**	**1,816,444,135**	**2,393,896,190**
		County Assembly	**-**	**157,978,093**	**157,978,093**
		Total	**577,452,055**	**1,974,422,228**	**2,551,874,283**

Source: *Nakuru County Treasury*

The County Executive and the Assembly submitted a Trade payables payment plan, committing to pay Kshs.696.29 million and Kshs.23.36 million, respectively, in the first quarter of FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs.90.09 million for the Executive and nil for the Assembly.

Table 3.364 and Table 3.365 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.2.55 billion.

Table 3.364: Nakuru County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables	**323,174,963**	**181,942,500**	**29,273,516**	**43,061,077**	**577,452,055**
Recurrent Trade payables (Goods & Services)	495,138,744	674,747,045	157,407,577	594,392,453	**1,921,685,818**
Recurrent Trade payables (Salary Receivables and Statutory Deductions)	2,458,026	15,928,446	1,202,017	292,552	**19,881,041**
Recurrent Trade payables (Staff Claims)	28,336,434	3,004,250	633,685	881,000	**32,855,369**
Total Recurrent Trade payables	**525,933,203**	**693,679,741**	**159,243,278**	**595,566,005**	**1,974,422,228**
Total Trade payables	**849,108,166**	**875,622,241**	**188,516,794**	**638,627,082**	**2,551,874,283**
% of Total	**33**	**34**	**7**	**25**	**100**

Source: *Nakuru County Treasury*

Table 3.364 shows that 32 per cent of the Executive payables are over two years old. They are urged to use FIFO in settling existing liabilities.

Table 3.365: Nakuru County Assembly Trade payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables	**0**	**0**	**0**	**0**	**0**
Recurrent Trade payables (Goods & Services)	139,852,788	7,667,005	10,458,300	0	157,978,093
Recurrent Trade payables (Salary Receivables and Statutory Deductions)	0	0	0	0	**0**

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Recurrent Trade payables (Staff Claims)	0	0	0	0	**0**
Total Recurrent Trade payables	**139,852,788**	**7,667,005**	**10,458,300**	**0**	**157,978,093**
Total Trade payables	**139,852,788**	**7,667,005**	**10,458,300**	**0**	**157,978,093**
% of Total	**89**	**5**	**7**	**0**	**100**

Source: *Nakuru County Treasury*

3.31.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.1.43 billion for compensation of employees, Kshs.132.14 million for operations and maintenance, and Kshs.90.09 million for development activities. Similarly, the County Assembly spent Kshs.127.06 million on compensation of employees and Kshs.44.15 million on operations and maintenance, as shown in Table 3.366.

Table 3.366: Nakuru County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**13,663,374,264**	**1,261,497,608**	**1,560,175,509**	**171,204,659**	**11**	**14**
Compensation of Employees	7,919,561,862	487,719,778	1,428,032,479	127,057,719	**18**	**26**
Operations and Maintenance	5,743,812,402	773,777,830	132,143,030	44,146,940	**2**	**6**
Development Expenditure	**7,222,530,359**	**250,000,000**	**90,087,580**	**0**	**1**	**0**
Total	**20,885,904,623**	**1,511,497,608**	**1,650,263,089**	**171,204,659**	**8**	**11**

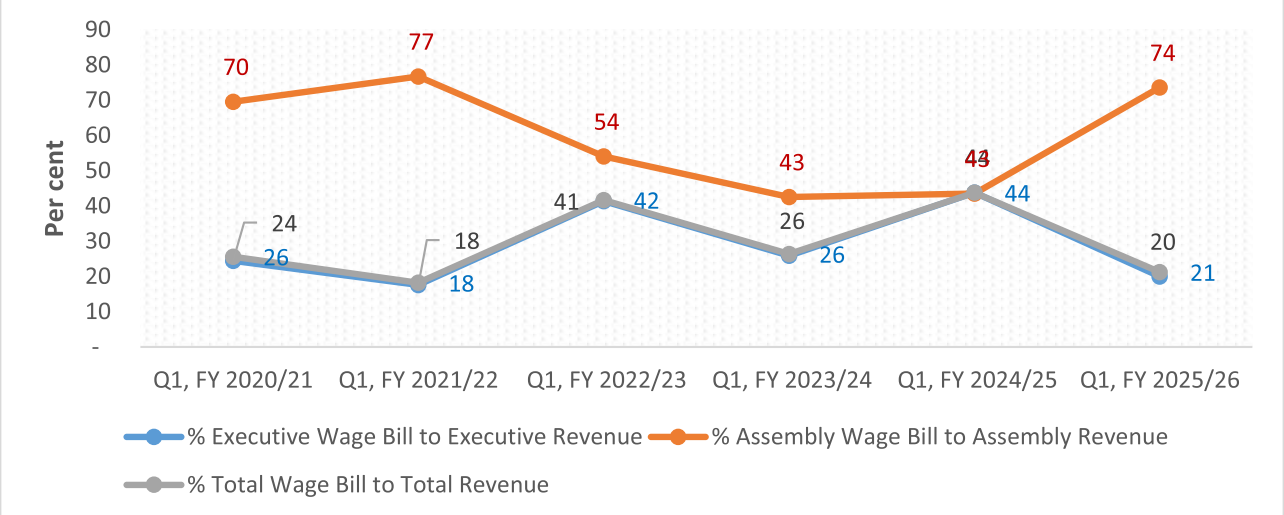
Source: *Nakuru County Treasury*

3.31.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.56 billion. The percentage of compensation of employees to revenue was 21 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.1.72 billion reported in a similar period in FY 2024/25. Of this total, Kshs.860.12 million related to the Health Sector employees, which accounted for 55 per cent of the overall employees' compensation.

Figure 181 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 181: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Nakuru County Treasury

As shown in Figure 181, , the County Assembly consistently recorded a significantly higher wage-to-revenue ratio, fluctuating between 54 and 77 per cent, which reflects a substantial commitment of its resources to personnel costs. The County's total wage bill remained moderate at 18 to 30 per cent of total revenue, supported largely by the Executive's stronger revenue base.

Further analysis indicated that PE costs amounting to Kshs.1.46 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.97.63 million was processed through manual payroll, which accounted for 6 per cent of the total PE cost.

The manual payroll comprised salaries for 35 staff not on-boarded into the Human Resource Information System (HRIS), salaries for 756 casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.367.

Table 3.367: Breakdown of Nakuru County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for 35 staff are yet to be onboarded into HRIS	3,585,896
	Salaries for 756 casual staff	56,546,189
	Top-up Allowances 38 for Security Officers	4,071,453
	LAPTRUST/LAPFUND Pension Contributions	3,774,210
	Gratuity for contract staff	29,654,064
	Total	**97,631,813**

Source: Nakuru County Treasury

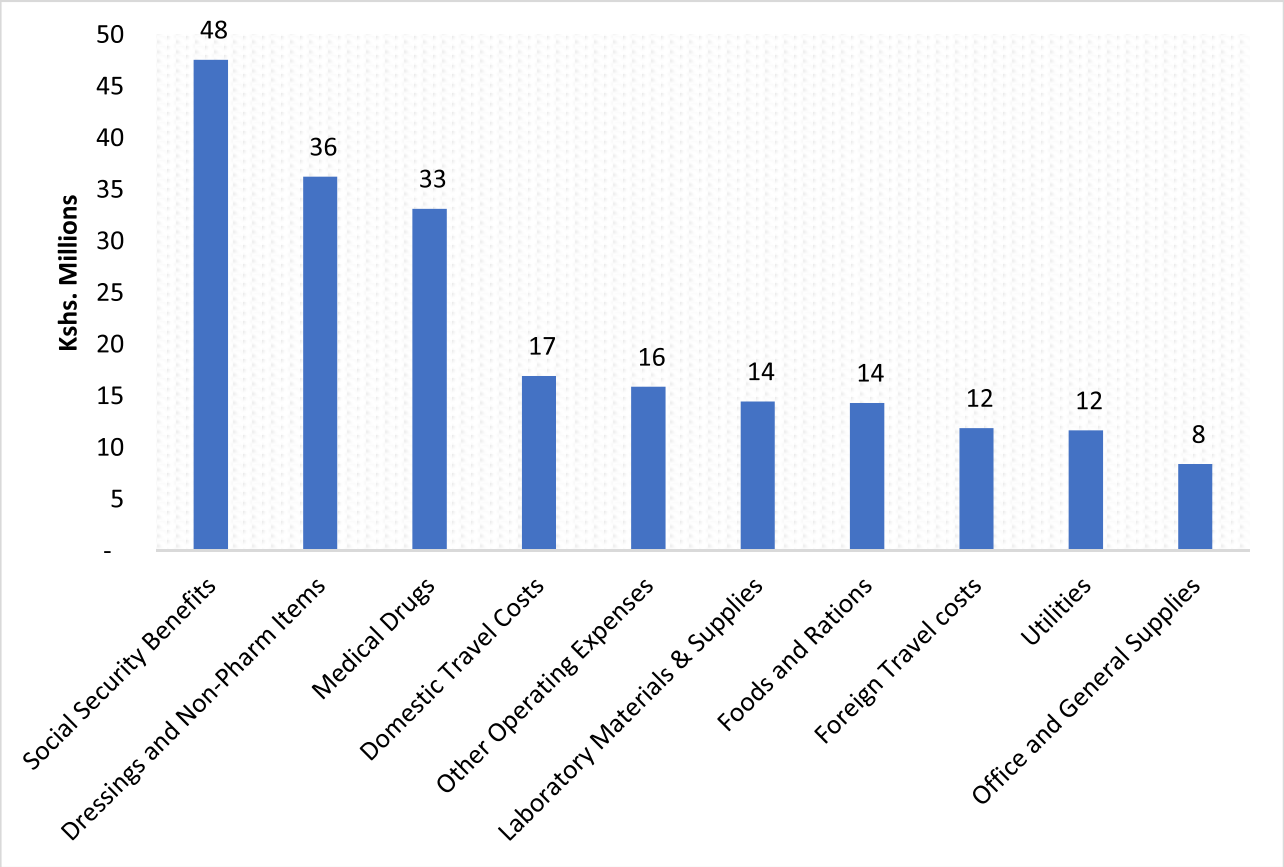
The County Assembly did not report any expenditure on committee sitting allowances for the 75 MCAs and the Speaker against the annual budget allocation of Kshs.53.00 million. The County Assembly has 23 House Committees.

3.31.10 Expenditure on Operations and Maintenance

During the reporting period, the County incurred Kshs.176.29 million on operations and maintenance, representing a decrease of 54 per cent compared to FY 2024/25, when the County incurred Kshs.379.29 million.

Figure 182 summarises the Operations and Maintenance expenditure by major categories.

Figure 182: Nakuru County, Operations and Maintenance Expenditure by Major Categories



Source: *Nakuru County Treasury*

3.31.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County incurred Kshs.15.89 million under "other Operating expenses" translates to 9 per cent of the cumulative operations and maintenance expenditure of Kshs.176.29 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.368.

Table 3.368: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211305	Contracted Guards and Cleaning Services	111,674,639	14,722,451
2211310	Contracted Professional Services	26,430,000	1,165,200
	Total	**138,104,639**	**15,887,651**

Source: *Nakuru County Treasury*

3.31.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.734.84 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Further, the County allocated Kshs.70 million to the Emergency Fund (less than one per cent of the total budget) in line with Section 110 of the PFM Act, 2012.

Table 3.369 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.369: Performance of Nakuru County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Expenses incurred in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Nakuru County Executive Mortgage (Staff) Scheme Fund	2018	50,000,000	0	0	306,000,000	Yes
	Nakuru County Executive (Staff) Car Loan Scheme Fund	2018	5,000,000	0	0	80,840,000	Yes
	Nakuru County Emergency Fund	2016	70,000,000	0	0	768,000,000	Yes
	Nakuru County Persons with Disability Fund	2018	27,500,000	0	0	55,000,000	Yes
	Nakuru County Bursary Fund	2014	416,062,172	0	0	1,967,138,356	Yes
	Nakuru County Climate Change Fund	2021	111,852,663	0	74,336,782	417,731,186	Yes
	Nakuru County Enterprise Fund	2020	25,000,000	0	0	50,000,000	Yes
	The Nakuru County Co-Operative Revolving Development Fund	2020	25,000,000	0	0	50,000,000	Yes
		County Assembly Established Funds					
	Nakuru County Assembly Car Loan, Grant & Mortgage Scheme Fund	2014 Revised 2022	4,424,000	0	0	834,056,265	Yes
	Total		**734,838,835**	**0**	**74,336,782**	**4,528,765,807**	

Source: *Nakuru County Treasury*

During the reporting period, the CoB did receive quarterly financial reports from 9 Fund Administrators, as indicated in Table 3.369, as per the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Bursary Fund had lapsed. Consequently, the CoB can not approve any requests for withdrawals to support the operations of the lapsed funds.

3.31.13 County Corporations

The County has 3 County Corporations, which were allocated Kshs.2.91 billion in FY 2025/26. Their total expenditure for the review period amounted to Kshs.477.51 million, as shown in Table 3.370.

Table 3.370: Performance of Nakuru County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Nakuru Water and Sanitation Company	2,103,138,464	0	283,739,614	1,478,312,895
2	Naivasha Water and Sanitation Company	370,161,781	0	104,537,592	353,924,016
3	Nakuru Rural Water Company	439,082410	0	89,236,636	486,274,060
	Total	**2,912,382,655**	**0**	**477,513,842**	**2,318,510,971**

Source: *Nakuru County Treasury*

3.31.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.16.95 million and comprised Kshs.15.65 million spent by the County Assembly and Kshs.1.30 million by the County Executive. Expenditure on foreign travel amounted to Kshs.11.90 million and was entirely by the County Assembly. Expenditure on foreign travel is summarised in Table 3.371.

Table 3.371: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly	2	10th 15th Aug 2025	The 11th Biennial Commonwealth Hansard Editors Association -Africa Region Conference	Ghana	560,823
County Assembly	1	25th-30th Aug	The 7th East Africa Hr Symposium Conference	Rwanda	403,300
County Assembly	7	14th -21st September 2025	The Strategic Leadership and Governance(SLG) in a Parliamentary Setting for Group 1	Tanzania	2,719,640
County Assembly	7	14th -21st September 2025	The Strategic Leadership and Governance(SLG) in a Parliamentary Setting for Group 2	Tanzania	2,719,640
County Assembly	7	3rd-10th Aug 2025	The Strategic Leadership and Governance(SLG) in a Parliamentary Setting for Group 1	Tanzania	2,749,235
County Assembly	7	3rd-10th Aug 2025	The Strategic Leadership and Governance(SLG) in a Parliamentary Setting for Group 2	Tanzania	2,749,235
Total					**11,901,873**

Source: Nakuru County Assembly

3.31.15 Facility Improvement Financing

During the review period, the County reported recognized of Kshs.542.88 million as FIF, which was 25 per cent of the annual target of Kshs.2.18 billion. The recognized amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has however, not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.542.88 million, as shown in Table 3.372.

Table 3.372: Nakuru County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	1,199,132,308	360,226,109	30
2.	Level 4 Hospital	15	976,771,605	182,652,983	19
	Total	**16**	**2,175,903,913**	**542,879,092**	**25**

Source: *Nakuru County Treasury*

3.31.16 Development Expenditure

In the review period, the County reported incurring Kshs.90.09 million on development programmes, representing an increase of 188 per cent compared to FY 2024/25, when the County spent Kshs.31.29 million. Table 3.373 summarises the development projects with the highest expenditure in the reporting period.

Table 3.373: Nakuru County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects (FIF)							
1.	Health Services	Payment of Outstanding Balances Plant, Machinery, Medical and Dental Equipment for Level IV & V Hospitals - FIF	Countywide	-	362,350,157	90,087,580	90,087,580	25

Source: *Nakuru County Treasury*

The County did not report any stalled development projects as of 30 September 2025.

3.31.17 Budget Performance by Department

Table 3.374 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.374: Nakuru County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	357.08	15.00	23.09	0	23.09	0	100	0	6	0
County Treasury	1,401.18	855.19	93.62	0	93.62	0	100	0	7	0
County Public Service Board	92.66	3.00	6.87	0	6.87	0	100	0	7	0
Health Services	6,951.90	1,619.32	729.30	0	1,025.97	90.09	141	0	15	6
Infrastructure	269.80	1,249.73	21.74	0	21.74	0	100	0	8	0
Naivasha Municipality	59.19	473.76	1.17	0	1.17	0	100	0	2	0
Office of the County Attorney	59.58	3.00	3.32	0	3.32	0	100	0	6	0
Nakuru City	113.15	497.56	4.33	0	4.33	0	100	0	4	0
Trade, Cooperatives, Tourism and Culture	204.50	218.06	15.33	0	15.33	0	100	0	7	0
Agriculture, Livestock, Fisheries and Veterinary Services	481.95	363.19	68.60	0	68.60	0	100	0	14	0
Lands, Physical Planning, Housing and Urban Development	123.18	187.52	17.44	0	17.44	0	100	0	14	0
Water, Energy, Environment, Natural Resources and Climate Change	238.15	729.19	35.98	0	35.98	0	100	0	15	0
Public Service, Devolution, Citizen Engagement, Disaster Management and Humanitarian Assistance	1,494.50	385.38	126.51	0	126.51	0	100	0	8	0
Education, ICT, e-Government and Public Communication	1,441.97	242.26	100.97	0	100.97	0	100	0	7	0

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youth, Sports, Gender, Social Services and Inclusivity	301.24	48.14	15.25	0	15.23	0	100	0	5	0
Gilgil Municipality	41.93	187.44	0.18	0	0	0	0	0	0	0
Molo Municipality	31.42	144.79	0.13	0	0	0	0	0	0	0
County Assembly	1,261.50	250.00	172.67	0	171.20	0	99	0	14	0
Total	**14,924.87**	**7,472.53**	**1,436.51**	**0**	**1,731.38**	**90.09**	**121**	**0**	**12**	**1**

***Source**: Nakuru County Treasury*

Analysis of expenditure by departments shows that the Department of Health Services recorded the only absorption rate of development budget at 6 per cent, while the Departments of Health Services and Water, Energy, Environment, Natural Resources and Climate Change had the highest percentage of recurrent expenditure to budget at 15 per cent.

3.31.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest level of budget implementation, based on absorption rates, was Provision of Essential Health Services in all Levels in the Department of Health Services at 8 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Administrative Services in the Department of Lands, Physical Planning, Housing and Urban Development at 76 per cent, Personnel Services in the County Treasury at 29 per cent, and Personnel Services in the Department of Youth, Sports, Gender, Social Services and Inclusivity at 28 per cent of the budget allocation.

3.31.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 311 accounts in commercial banks, including 208 accounts for Health Facilities, 72 accounts for Vocational Training Centres, 10 accounts for Established Funds, eight revenue accounts, 12 special-purpose accounts (additional allocations), and one account for imprests at the Office of the Governor.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 311 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.31.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.792.01 million against an annual target of Kshs.4.58 billion, representing 17 per cent of the financial year target.
ii. Low development performance in the review period as the County incurred Kshs.90.09 million on development activities, achieving a 1 per cent absorption rate.
iii. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 Sep-

tember 2025, the lifespan of the Bursary Fund had lapsed, making it ineligible for further withdrawals.

iv. High level of Trade payables, which amounted to Kshs.2.55 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the Trade payables by the County Treasury.

v. Use of manual payroll. Personnel emoluments amounting to Kshs.97.63 million for 35 staff not on-boarded into HRIS and 756 casual staff were processed through manual payroll, accounting for 6 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.

vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

vii. The County reported revenue arrears of Kshs.13.64 billion comprising of Kshs.11.47 billion on ordinary OSR, Kshs.1.23 billion on equitable share, and Kshs.938.99 million on FIF. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*

ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iii. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*

iv. *The County Leadership should address the situation of Trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade payables Action Plan should be enforced.*

v. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

vii. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.32. County Government of Nandi

3.32.1 Overview of FY 2025/26 Budget

The Nandi County Approved Budget for FY 2025/26 is Kshs.10.03 billion. It comprises a development budget of Kshs.3.40 billion (34 per cent) and a recurrent budget of Kshs.6.62 billion (66 per cent). The approved budget represents a decline of 2 per cent compared to the FY 2024/25 budget of Kshs.10.19 billion, which consisted of a development allocation of Kshs.3.69 billion and a recurrent allocation of Kshs.6.49 billion. The decline in the budget is primarily attributed to reduced allocations under the equitable share and additional allocations from the national government.

The FY 2025/26 budget is expected to be financed through the equitable share of revenue raised nationally, additional allocations from the national government and development partners, own-source revenue, and facility improvement funds. The County did not report any cash balance brought forward from FY 2024/25. is shown in Table 3.375.

3.32.2 Revenue Performance

During the first Quarter of FY 2025/26, the County generated Kshs.1.32 billion in revenue. This amount represented an increase of 3 per cent compared to the Kshs.1.28 billion received in the same period in FY 2024/25. The total revenue consisted of Kshs.1.25 billion from the equitable share of revenue raised nationally, and own-source revenue (OSR) collection of Kshs.72.26 million. No additional allocations from the national government and development partners were received during the period. The equitable share of revenue raised nationally

and OSR contributed 95 per cent and 5 per cent, respectively, of the total revenue for the reporting period.

During the First Quarter of FY 2025/26, the County generated Kshs.72.26 million from its revenue sources, including FIF. This amount was a decrease of 5 per cent compared to Kshs.75.95 million realised in the same period in FY 2024/25, and was 6.8 per cent of the annual target and 5.8 per cent of the equitable revenue share disbursed.

The decrease in OSR was attributed to underperformance in ordinary revenue streams, partially offset by higher-than-previously-reported FIF collections.

Table 3.375: Nandi County, Revenue Performance in FY 2025/26

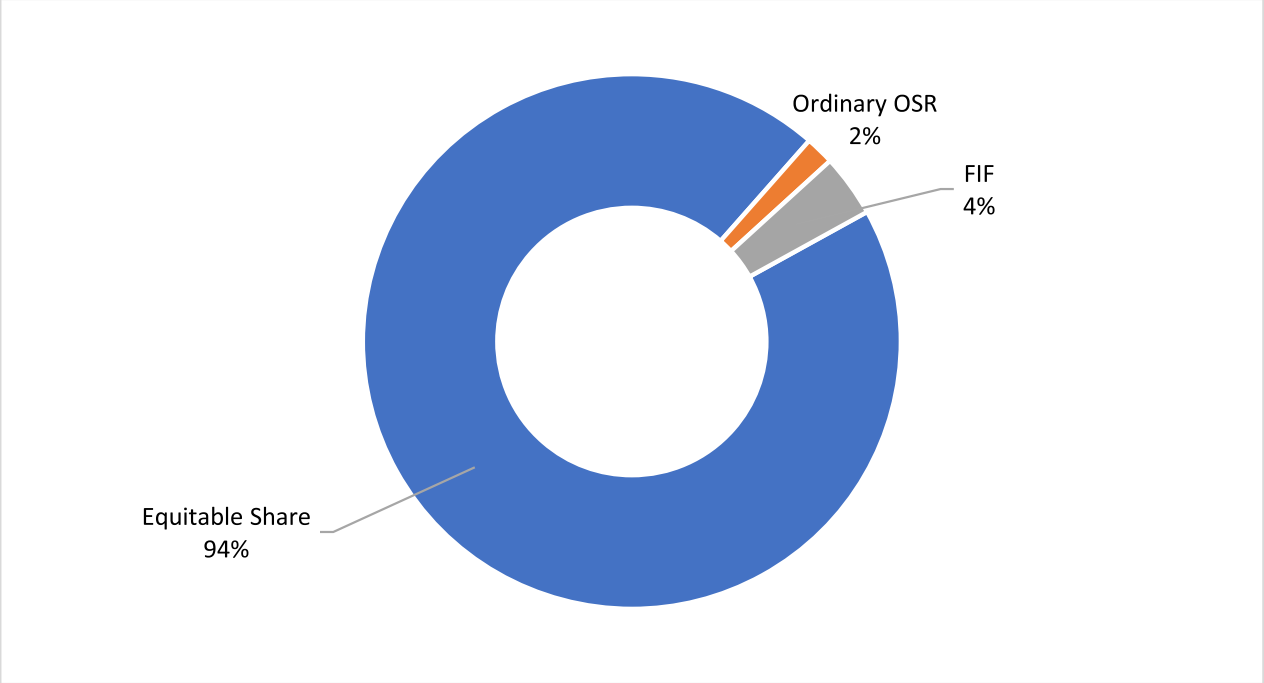
Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	7,771,778,066	1,246,158,216	16.03
Sub-Total	**7,771,778,066**	**1,246,158,216**	**16.03**
B. Additional Allocations			
Establishment of the Industrial Park-2022/2023 Balances	52,631,579	-	-
RMLF	65,154,809	-	-
KDSP I- Level I Grant World Bank	37,500,000	-	-
KDSP II Level II Grant World Bank	352,500,000	-	-
KDSP II- Level I Grant World Bank 2024/2025	37,500,000	-	-
IDA (WORLD BANK). -National Agricultural Value Chain Development project (NAVCDP)	151,515,152	-	-
Kenya Urban Support Project (KUSP)- UIG	35,000,000	-	-
KISIP-Kenya Informal Settlements Improvement Project 2024/2025	208,354,058	-	-
Financing Locally Led Climate Action (FLLoCA) FY 2023/2024	216,757,206	-	-
Kenya Urban Support project (KUSP)- UDG	33,993,380	-	-
SWEDEN Kenya Agriculture Business Development Project	10,918,919	-	-
Sub-Total	1,201,825,103	-	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	684,802,614	22,769,189	3.32
Facility Improvement Fund (FIF)	370,367,297	49,492,018	13.3
Sub-Total Other Sources	1,055,169,911	72,261,207.00	6.85
Grand Total	10,028,773,080	1,318,419,423	13

Source: *Nandi County Treasury*

The County has governing legislation on the operation of ordinary A-I-A and FIF.

Figure 183 provides a detailed breakdown of revenue, showing the amount received for each shilling.

Figure 183: Nandi County Composition of Each Shilling Received in the First Quarter of FY 2025/26

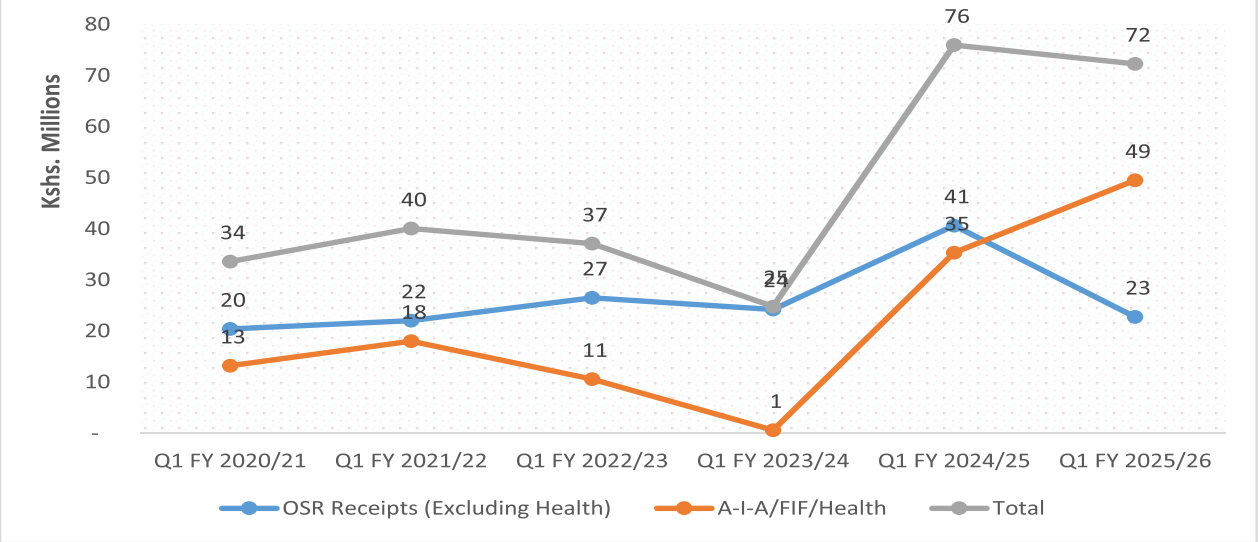


Source: *Nandi County Treasury*

The equitable share of revenue raised nationally, FIF and OSR contributed 94 per cent, 4 per cent and 2 per cent respectively of the total revenue for the reporting period.

Figure 184 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

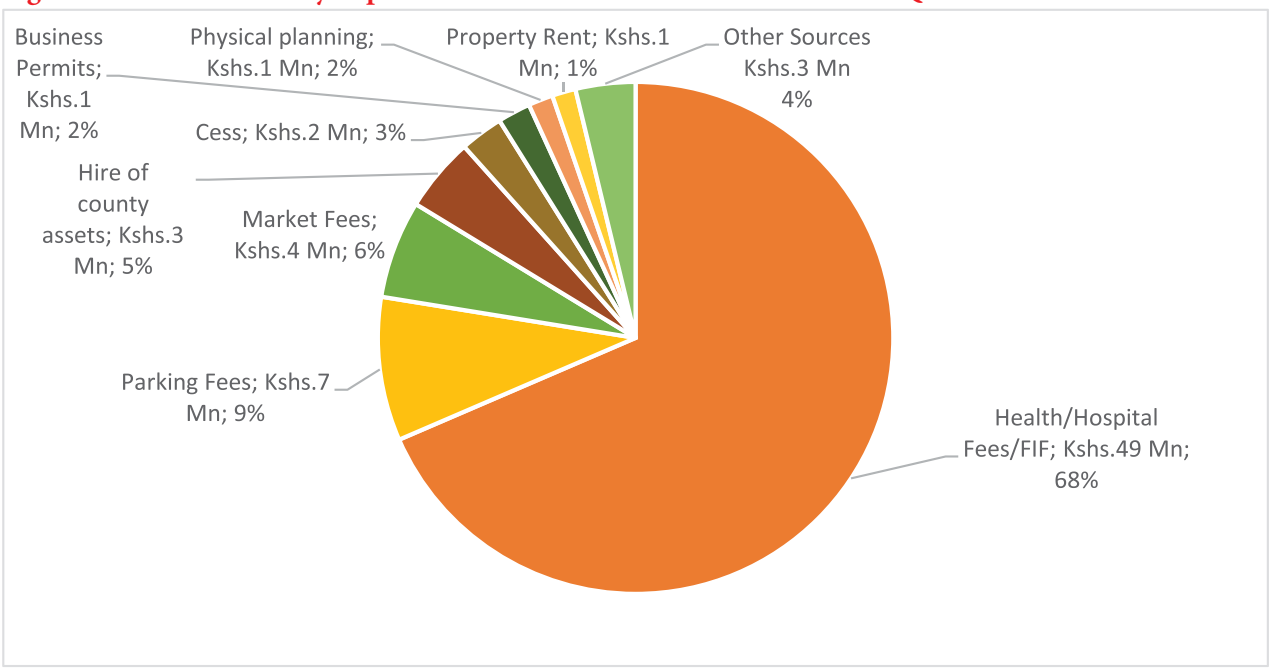
Figure 184: Nandi County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Nandi County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.72.26 million from its revenue sources, including FIF. This amount was a decrease of 5 per cent compared to Kshs.75.95 million realised in the same period in FY 2024/25, and was 6.8 per cent of the annual target and 5.8 per cent of the equitable revenue share disbursed. The revenue streams that contributed the most to OSR revenue are shown in Figure 185.

Figure 185: Nandi County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Nandi County Treasury

As shown in Figure 185, the highest revenue stream, at Kshs.49 million, was from FIF, accounting for 68 per cent of the total OSR revenue. The County Government indicated that it has automated all revenue streams.

3.32.3 Revenue Arrears

The County did not report revenue arrears during the period under review.

3.32.4 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.27 billion from the CRF account during the reporting period, which comprised Kshs.37.82 million (3 per cent) for development programmes and Kshs.1.23 billion (97 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.808.40 million was towards employee compensation and Kshs.420.59 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 15 per cent was for domestic travel and 1 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.64.44 million and included Kshs.52.88 million for the County Executive and Kshs.11.56 million for the County Assembly. The foreign exchequer totalled Kshs.5.99 million, comprising Kshs.2.72 million for the County Executive and Kshs.3.27 million for the County Assembly.

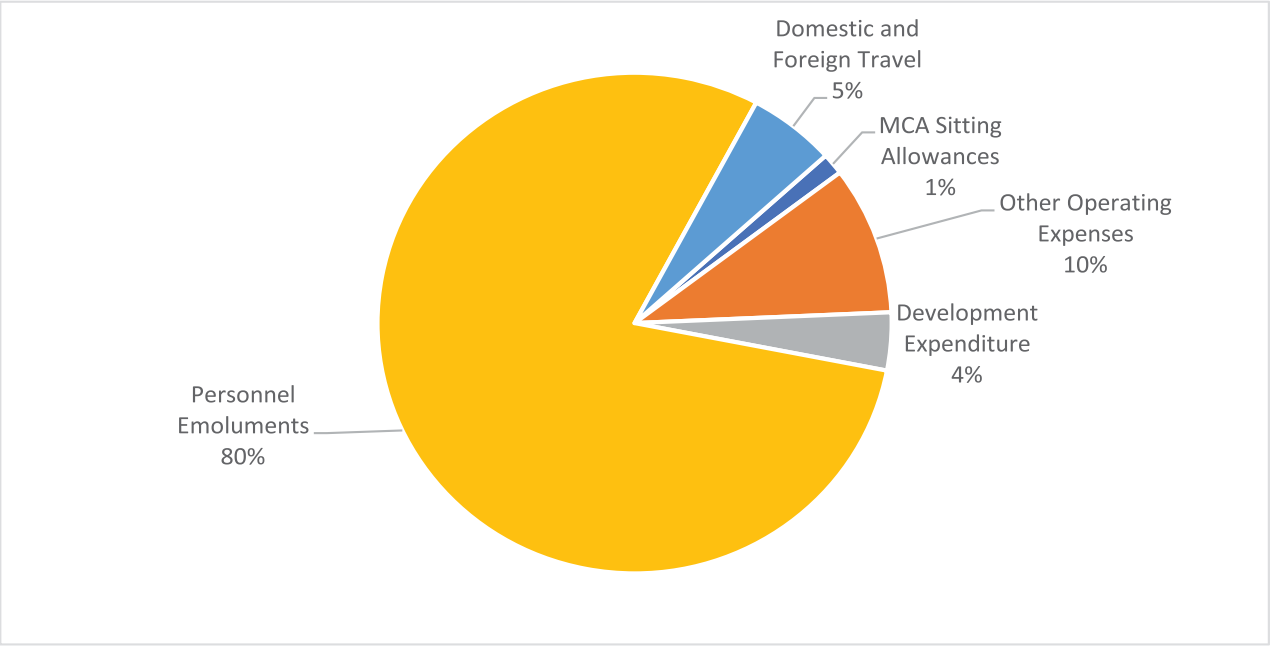
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.505 million.

3.32.5 Expenditure Review

The County spent Kshs.1.27 billion on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.37.82 million for development programmes and Kshs.1.23 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of 1 per cent, while recurrent expenditure represented an absorption rate of 19 per cent.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 186: Nandi County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Nandi *County Treasury*

As shown in Figure 186, the three highest expenditure categories were personnel emoluments, other operating expenses, and domestic & foreign travel, which accounted for 80 per cent, 10 per cent, and 5 per cent of total expenditure, respectively, for the reporting period.

3.32.6 Settlement of Trade Payables

As of July 1 2025, the County reported Trade Payables totalling Kshs.1.01 billion. This amount included Kshs.993.22 million from the County Executive and Kshs.13.46 million from the County Assembly.

During the reporting period, neither the County Executive nor the County Assembly settled any Trade Payables. The outstanding Trade Payables as of September 30 2025 was Kshs.993.22 million for County Executive and Kshs.13.46 million for County Assembly.

The County Executive submitted a Trade Payables payment plan; however, the County did not adhere to it, as no Trade Payables were cleared in the first quarter. Table 3.376 presents the ageing of the total outstanding bills as of September 30 2025, for the County Executive.

Table 3.376: Nandi County Executive Pending Bill Ageing Analysis as of September 30 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables		506,300,690		2,860,712	509,161,402
Recurrent Trade Payables (Goods & Services)		384,798,102		162,400	384,960,502
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)		91,000,000			91,000,000
Total Recurrent Trade Payables	-	475,798,102	-	162,400	475,960,502
Total Trade Payables	-	982,098,792	-	3,023,112	985,121,904
% of Total		99.7	-	0.3	100

Source: *Nandi County Treasury*

Table 3.376 shows that nearly 100 per cent of the Executive pending bills are aged 1-2 years, with over half for development activities.

3.32.7 Expenditure by Economic Classification

During the reporting period, the County Executive spent Kshs.654.92 million for compensation of employees, Kshs.319.51 million for operations and maintenance, and Kshs.37.82 million for development activities. Similarly, the County Assembly spent Kshs.153.48 million on compensation of employees and Kshs.101.07 million on operations and maintenance as shown in Table 3.377.

Table 3.377: Nandi County Summary of Budget and Expenditure by Economic Classification

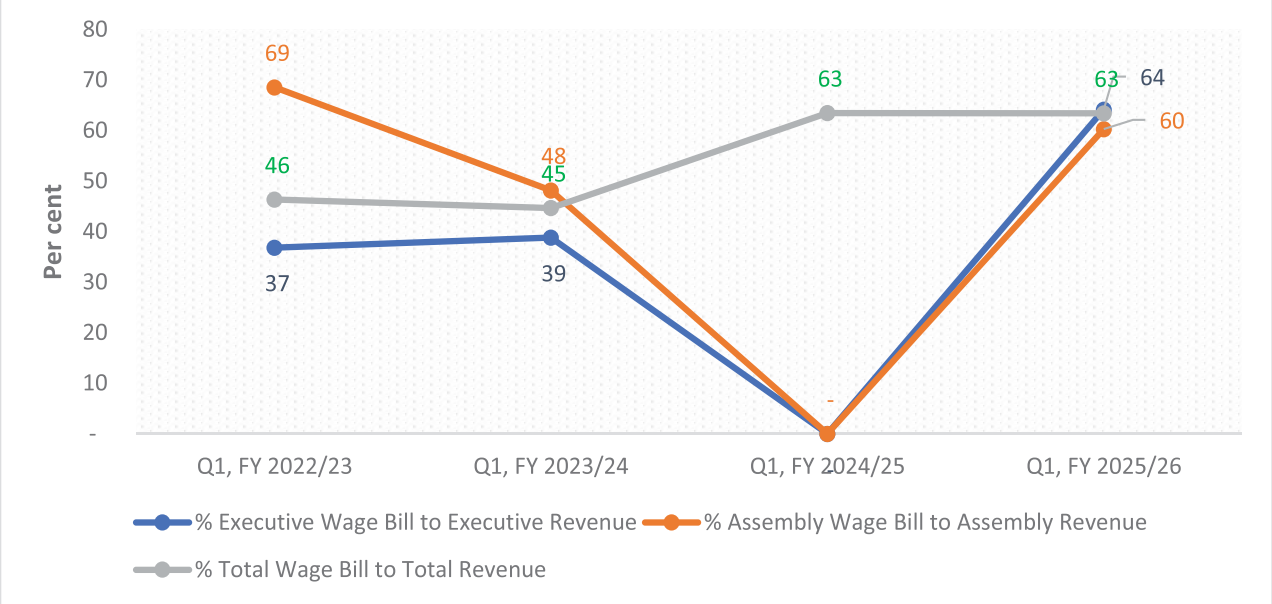
Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	5,843,815,695	781,140,379	974,437,468	254,551,224	17	33
Compensation of Employees	3,755,729,756	455,034,007	654,922,903	153,476,622	17	34
Operations and Maintenance	2,088,085,939	326,106,372	319,514,565	101,074,602	15	31
Development Expenditure	3,323,817,006	80,000,000	37,820,914	-	1	0
Total	**9,167,632,701**	**861,140,379**	**1,012,258,382**	**254,551,224**	**11**	**30**

***Source**: Nandi County Treasury*

3.32.8 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.808.40 million. The percentage of compensation of employees to revenue was 63 per cent. This expenditure on employee compensation shows a decrease compared to the Kshs.813.10 million reported in the same period in FY 2024/25. Of this total, Kshs.243.91 million related to the Health Sector employees, which accounted for 30 per cent of the overall employees' compensation. Figure 187 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 187: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Nandi County Treasury

Figure 187 shows that Assembly apportioned 60 per cent of their inflows towards compensation of employees while the Executive apportioned 64 per cent.Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

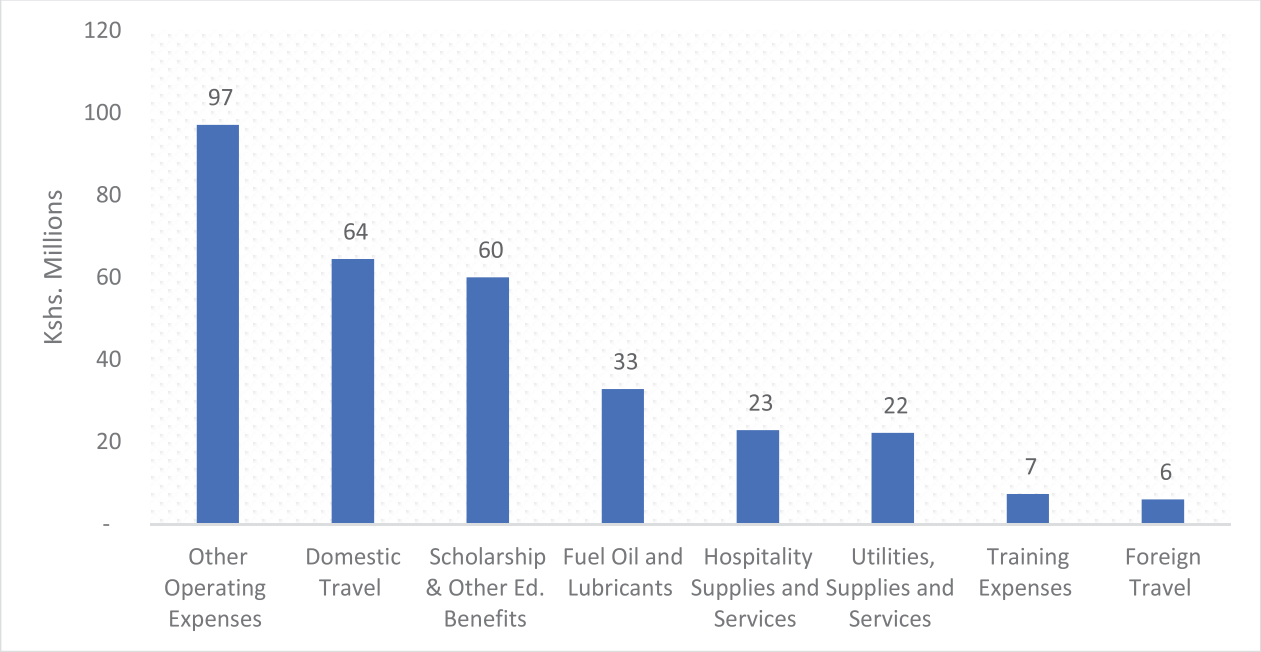
Further analysis indicated that PE costs amounting to Kshs.768.27 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.40.13 million was processed through manual payroll, which accounted for 5 per cent of the total PE cost.

The County Assembly spent Kshs.14.10 million on committee sitting allowances for the 45 MCAs against the annual budget allocation of Kshs.28.83 million. The average monthly sitting allowance was Kshs.104,463 per MCA.

3.32.9 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.420.59 million on operations and maintenance, representing an increase of 18 per cent compared to FY 2024/25, when the County spent Kshs.357.10 million. Figure 188 summarises the Operations and Maintenance expenditure by major categories.

Figure 188: Nandi County, Operations and Maintenance Expenditure by Major Categories



Source: *Nandi County Treasury*

3.32.10 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.71 million to County-Established funds in FY 2025/26, or 0.7 per cent of the County's overall budget. Further, the County allocated Kshs.40 million to the Emergency Fund (0.4 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.7Table 3.378 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.378: Performance of Nandi County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Expenditure (Kshs.)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds				
1	Nandi County Car and Mortgage Fund	2018	1,050,000	-	-	No
2	Nandi County Education Scheme	2016	30,000,000	-	-	Yes
3	Nandi County Emergency Fund	2020	40,000,000			Yes
		County Assembly Established Funds				
1	Nandi County Assembly Car and Mortgage Fund	2018	-	-	-	-
	Total		71,050,000			

Source: *Nandi County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from 1 Fund Administrator, as indicated in Table 3.378 contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that administration costs of the Funds were above the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of none of the funds had lapsed.

3.32.11 County Corporations

The County has one County Corporation: the Kapsabet Nandi Water and Sanitation Company Ltd (KANAWASCO). The County did not provide financial reports for the corporation to the CoB during the review period.

3.32.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.66.23 million and comprised Kshs.52.88 million spent by the County Assembly and Kshs.13.35 million by the County Executive. Expenditure on foreign travel amounted to Kshs.5.99 million and comprised Kshs.2.72 million by the County Assembly and Kshs.3.27 million by the County Executive.

3.32.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.6.25 million as FIF, which was 2 per cent of the annual target of Kshs.370.37 million. The collected amount was retained and utilised at source. The County has developed regulations to operationalise the FIF Act of 2023..

The expenditure by the health facilities amounted to Kshs.34.20 million, as shown in Table 3.379.

Table 3.379: Nandi County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	15,318,595	15,318,595	100
2.	Level 4 Hospital	7	34,173,423	34,178,423	100
	Total	7	34,178,423	34,178,423	**100**

Source: *Nandi County Treasury*

3.32.14 Development Expenditure

In the review period, the County reported spending Kshs.37.82 million on development programmes, representing a decrease of 25 per cent compared to FY 2024/25, when the County spent Kshs.50.71 million. The development expenditure was a transfer to a special purpose account and thus there were no projects implemented during the review period. The County did not report any stalled development projects as of 30 September 2025. Budget Performance by Department

Table 3.380 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.380: Nandi County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	400.54	48.20	13.86	-	84.61	-	610.3	-	21.1	-
Health and Sanitation	2,947.08	200.46	357.17	-	288.89	-	80.9	-	9.8	-
Public Service and Labour	58.83	-	0.48	-	11.59	-	2,438.3	-	19.7	-
County Assembly	781.14	80.00	146.09	-	254.55	-	174.2	-	32.6	-
Kapsabet Municipality	74.34	147.89	0.13	-	65.88	-	51,538.0	-	88.6	-
Office of the County Attorney	73.70	0.60	0.98	-	1.03	-	105.1	-	1.4	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	526.57	18.00	225.31	-	177.48	-	78.8	-	33.7	-
Administration, Public Service and E-Government	562.21	382.12	102.39	-	94.93	-	92.7	-	16.9	
Agriculture and Co-operatives Development	229.57	379.32	64.61	-	64.25	-	99.4	-	28.0	
Sports, Youth Affairs, Culture and Heritage	94.93	60.93	0.77	-	15.96	-	2,083.4	-	16.8	
Education and Vocational Training	371.56	278.95	60.55	-	115.92	-	191.4	-	31.2	
Lands, Environment, Natural Resources and Climate Change	143.82	793.61	0.80	30.99	23.98	22.84	2,982.8	73.7	16.7	2.9
Transport, Public Works and Infrastructure Development	191.44	614.16	-	-	29.28	-	-	-	15.3	-
Trade, Tourism, Industrialisation and Enterprise Development	97.43	299.48	-	-	0.66	10.00	-	-	0.7	3.3
Culture, Gender and Social Welfare	30.68	31.10	2.77	-	-	4.98	-	-	-	16.0
Kaimosi Agricultural Training Centre	41.13	69.00	-	-	-	-	-	-	-	-
Total	6,625	3,404	976	31	1,229	38	125.9	122.0	18.6	1.1

Source: *Nandi County Treasury*

Analysis of expenditure by departments shows that the Department of culture, Gender and Social Welfare recorded the highest absorption rate of the development budget at 16 per cent. For recurrent expenditure, Kapsabet Municipality recorded the highest absorption rate at 88 per cent, while the Department of Trade, Tourism, Industrialisation and Enterprise Development had the lowest at less than 1 per cent.

3.32.15 Budget Execution by Programmes and Sub-Programmes

The overall budget execution for programmes was low, with a combined absorption rate of 11 per cent. Performance varied significantly, with two programmes—"Administration and support services" and "General Administration and Support Services", achieving the highest absorption rates of 23 and 22 per cent, respectively. In contrast, several key programmes, including "Revenue Collection and Management Phase 1" and "Infrastructure and Development," recorded no expenditure, while others like "Health Service Delivery Administration Services" saw substantial spending in absolute terms (Kshs.294.71 million) but a low absorption rate of 9 per cent due to its huge budget.

3.32.16 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 10 accounts with commercial banks, including There is one account designated for banking revenue from Kaimosi ATC operations, 2 Imprest Accounts for managing petty cash, one account for the National Agricultural and Rural Inclusive Growth Project, one account for the County Devel-

opment Support Programme, one account for the Urban Development Grant, one account for the Urban Infrastructure Grant, one account for youth service programmes and initiatives, one account for health operations and services, and one account for deposits and retentions.

3.32.17 Key Observations and Recommendations

(i) The underperformance of own-source revenue at Kshs.29.02 million against an annual target of Kshs.1.06 billion, representing 3 per cent of the financial year target which is below the expected 25 per cent..
(ii) Low development performance in the review period as the County incurred Kshs.37.82 million on development activities, achieving a 1 per cent absorption rate.
(iii) High level of Trade Payables, which amounted to Kshs.1.01 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the Trade Payables by the County Treasury.
(iv) Use of manual payroll. Personnel emoluments amounting to Kshs.40.13 million were processed through manual payroll, accounting for 5 per cent of the total payroll cost.
(v) Non-submission of copies of authorisation letters for opening commercial bank accounts.

The County should implement the following recommendations to improve budget execution:

(i) *The County should address its own-source revenue performance to ensure the approved budget is fully financed.*
(ii) *The County should implement strategies to increase development expenditures in FY 2025/26.*
(iii) *iii. The County Leadership should address the situation of Trade Payables to ensure that genuine bills are paid promptly.*
(iv) *The County is advised to fast-track the onboarding of all staff onto the HRIS system to minimize the use of manual payroll.*
(v) *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability.*

3.33. County Government of Narok

3.33.1 Overview of FY 2025/26 Budget

The Narok County Approved Budget for FY 2025/26 is Kshs.17.23 billion. It comprises Kshs.6.21 billion (36 per cent) and Kshs.11.02 billion (64 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.336.46 million (2 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.5.33 billion and a recurrent budget of Kshs.12.23 billion. The decrease in the budget was primarily attributed to the decline in projected fees in the current financial year.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.9.65 billion (56 per cent), additional allocations of Kshs.1.21 billion (7 per cent), and Kshs.6.37 million (37 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.381.

3.33.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.3.84 billion in revenue. This amount represented a 2 per cent increase compared to the amount received in a similar period in FY 2024/25, amounting to Kshs.3.76 billion. The total revenue consisted of Kshs.1.57 billion from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.2.21 billion. Additionally, the County had a cash balance of Kshs.61.87 million from FY 2024/25. The total OSR collection of Kshs.2.21 billion included Facilities Improvement Financing (FIF) of Kshs.37.73 million, and Kshs.2.17 billion from other OSR sources. Table 3.381 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.381: Narok County, Revenue Performance in FY 2025/26

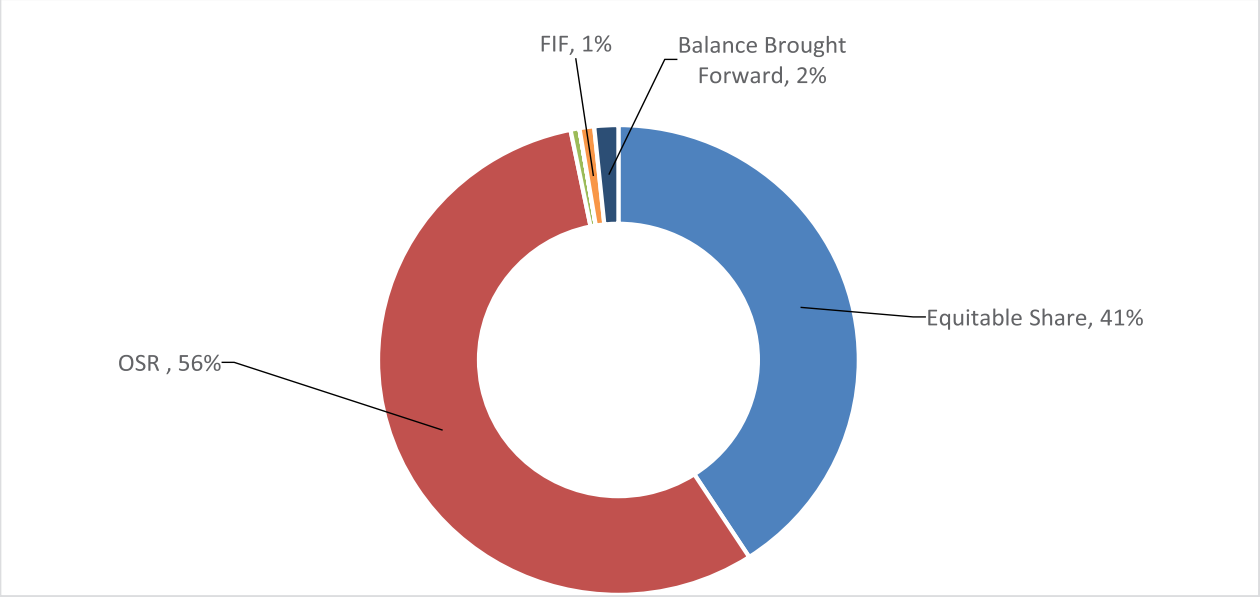
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual revenue (Kshs.)	Actual revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	9,646,933,000	1,567,183,600	16
	Subtotal	9,646,933,000	1,567,183,600	16
B	**Equalisation Fund Disbursement**	-	-	-
	Subtotal			
C	**Additional Allocations**			
1	Kenya Devolution Support Programme (KDSPII)	352,000,000.00	-	-
2	County Aggregated Industrial Park (CAIP)	250,000,000.00	-	-
3	Financing Locally Led Climate Action (FLLoCA) Dev	200,000,000.00	-	-
4	World Bank Loan- NAVCDP	151,515,152.00	-	-
5	Kenya Urban Support Programme (KUSP II) UDG	71,235,901.00	-	-
6	Community Health Promoters (CHP) Projects	49,800,000.00	-	-
7	Kenya Devolution Support Programme (KDSPII)	37,500,000.00	-	-
8	Kenya Urban Support Programme (KUSP II) UIG	35,000,000.00	-	-
9	Basic Arrears for County Government Health Workers	21,496,514.00	-	-
10	Allocation for Mineral Royalties	13,000,000.00	-	-
11	DANIDA Grant -PHC	12,382,500.00	-	-
12	Kenya Agricultural Business Development Project (KABDP)	10,918,919.00	-	-
13	UNFPA	7,400,000.00	-	-
	Subtotal	**1,212,248,986**		-
D	**Ordinary Own Source Revenue (OSR)**			
1	Park Fees	5,489,629,570.43	2,067,811,472.00	38
2	Cess	294,269,909.00	58,321,977.00	20
3	Land Rate	122,376,084.00	1,548,471.00	1
4	Single/Business Permits	84,341,469.00	4,044,962.00	5
5	Physical Planning and Development	54,226,795.00	4,226,483.00	8
6	Market Fees	50,098,805.00	2,140,910.00	4
7	Parking Fees	36,000,000.00	4,015,151.00	11
8	Proceeds from the sale of assets	31,660,000.00	-	-
9	Property Rent	17,200,000.00	980,470.00	6
10	Conservancy Administration	8,531,250.00	206,600.00	2
11	Miscellaneous Receipts	5,776,559.00	2,752,149.00	48
12	Advertising	5,658,531.00	713,250.00	13
13	Public Health Service Fees	5,000,000.00	97,800.00	2
14	Hire of County Assets	412,903.00	-	-
15	Other Fines, Penalties, and Forfeiture Fees	282,316.00	-	-
	Subtotal	**6,205,464,191.43**	**2,146,859,695.00**	**35**
E	**Facility Improvement Fund (FIF)**			
1	Hospital Fees	120,951,908	37,734,856	31
	Subtotal	120,951,908	37,734,856	31
F	**Other AIAs**			
1	Administration Control Fees and Charges (Liquor)	45,461,915	23,114,003	51
	Subtotal	45,461,915	23,114,003	51
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF		60,871,910.75	

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual revenue (Kshs.)	Actual revenue as Percentage of Budget Allocation (%)
2	County Executive Refunds to CRF		987,539	
3	County Assembly Refunds to CRF		10,389	
Subtotal			997,928	
Grand Total		17,231,060,000.43	3,836,761,993.30	22

Source: *Narok County Treasury*

Figure 189 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

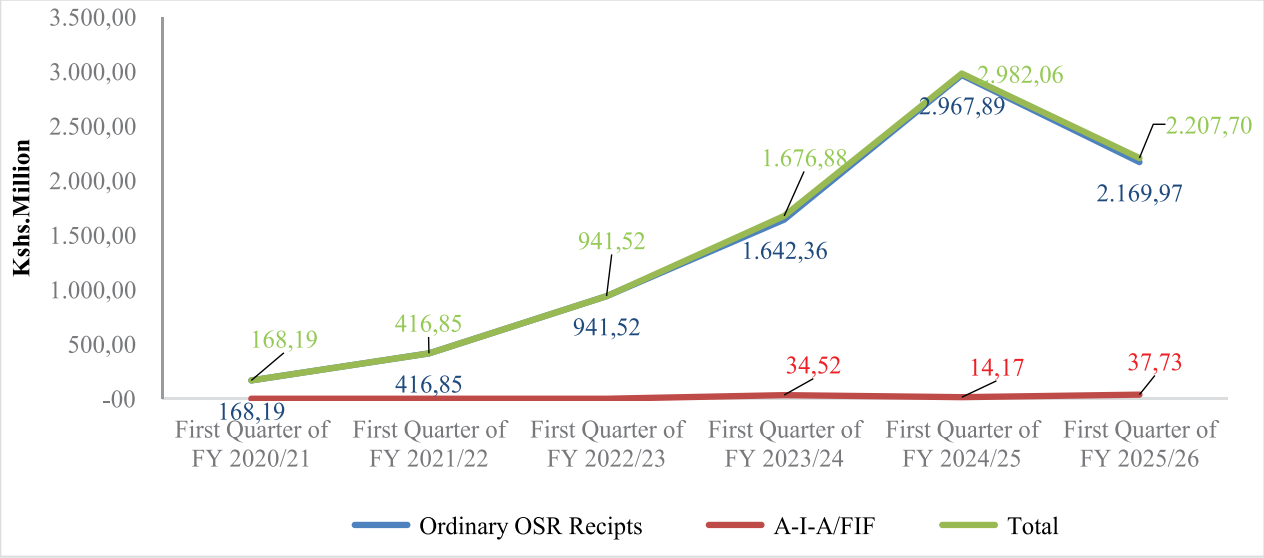
Figure 189: Narok County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Narok County Treasury*

The equitable share of revenue raised nationally and OSR contributed 41 per cent and 56 per cent, respectively, of the total revenue for the reporting period. Figure 190 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 190: Narok County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



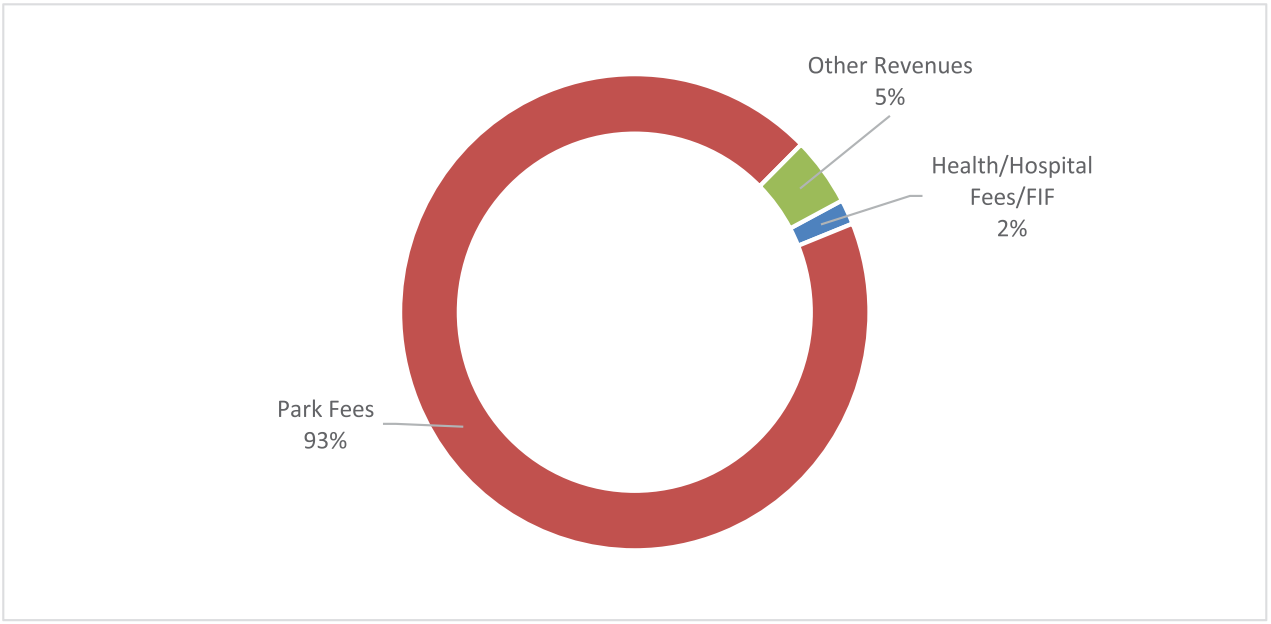
Source: *Narok County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.2.21 billion from its revenue sources, including FIF. This amount represented a 26 per cent decrease compared to the Kshs.2.98 billion was realised in a similar period in FY 2024/25, accounting for 35 per cent of the annual target and 41 per cent of the equitable revenue share disbursed.

The decrease in OSR was attributed to a reduction in Park fees from Kshs.2.89 billion in the first quarter of FY2024/25 to Kshs.2.07 billion in FY2025/26. This is attributed to a decline in tourism activities during the reporting period.

The revenue streams that contributed the most to OSR receipts are shown in Figure 191.

Figure 191: Narok County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Narok County Treasury

As shown in Figure 191, the highest revenue stream is park fees, at Kshs.2.07 billion, which accounts for 94 per cent of the total OSR revenue. The County Government indicated that it has automated all revenue streams.

3.33.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.177.71 million. Table 3.382 presents a breakdown of the County's revenue arrears.

Table 3.382: Narok County Revenue Arrears as of 30th September 2025

No	Revenue Stream	Revenue Arrears as of 1st July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30th September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September 2025	-	-	-	-	**830,476,957**
	Sub-Total					**830,476,957**
B	**Transfers from the Equalisation Fund**					
1	**Transfers from the Equalisation Fund**	-	-	-	-	771,670,228.00
	Sub-Total	-	-	-	-	771,670,228.00
D	**Ordinary Own Sources of Revenue**					
1	**Park Fees**	34,668,231.00		34,668,231.00	141,189,000.00	**141,189,000.00**
	Sub-Total	34,668,231.00		34,668,231.00	**141,189,000.00**	**141,189,000.00**

No	Revenue Stream	Revenue Arrears as of 1st July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30th September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
E	Facility Improvement Fund (FIF)					
1	SHIF	**25,589,560.00**	-	21,242.50	10,950,922.00	36,519,240.00
Total		**60,257,791.00**	**0.00**	**34,689,473.50**	**152,139,922.00**	**1,779,855,425.00**

Source: Narok *County Treasury*

As of 30th September 2025, the revenue arrears totalled Kshs.1.78 billion, comprising Kshs.830.48 million for the Equitable Share for the month of September 2025 (47 per cent). The measures instituted by the County to collect outstanding arrears in FY 2025/26 include engaging the National government to recover arrears on Park fees and outstanding SHA claims.

3.33.4 Borrowing by the County

The County did not disclose borrowing information in the review period.

3.33.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.03 billion from the CRF account during the reporting period, which comprised Kshs.83.91 million (8 per cent) for development programmes and Kshs.943.52 million (92 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.863.99 million was towards employee compensation and Kshs.79.53 million for operations and maintenance expenditure.

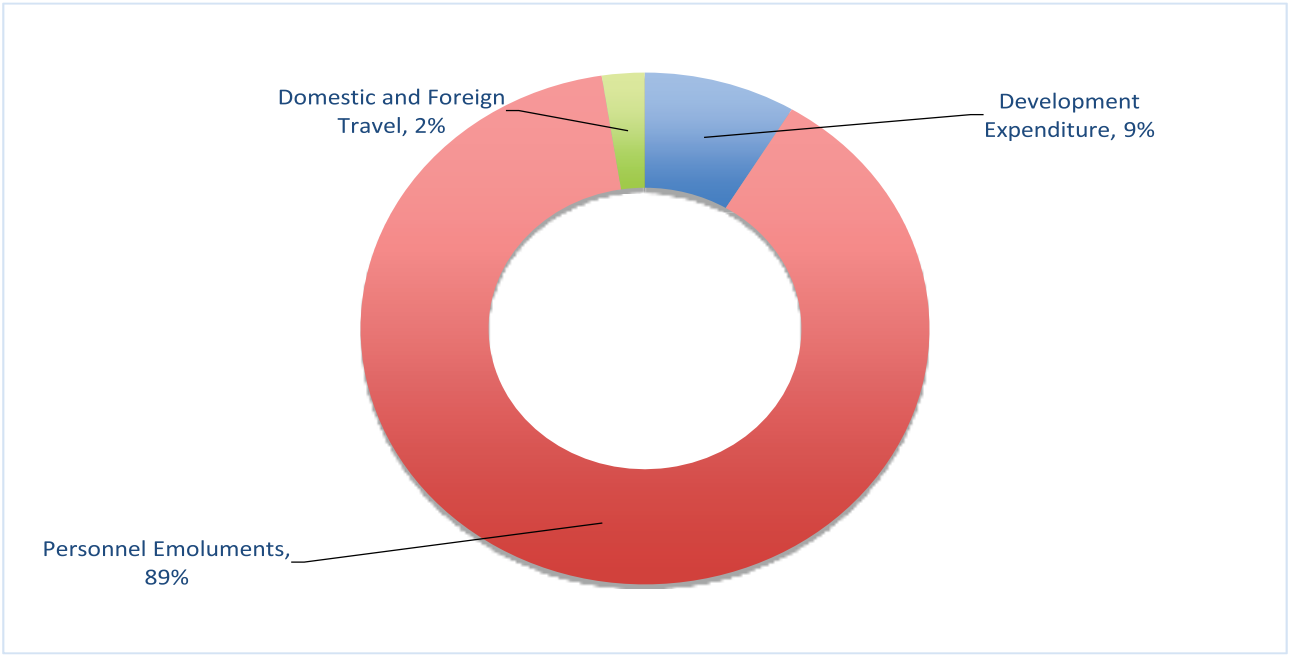
As of 30th September, 2025, the County Government's cash balance in the CRF account was Kshs.1.47 billion.

3.33.6 Expenditure Review

The County spent Kshs.1.03 billion on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.83.91million for development programmes and Kshs.943.52 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 1 per cent, while recurrent expenditure represented 9 per cent of the annual recurrent expenditure budget.

Figure 192 provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 192: Narok County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Narok *County Treasury*

As shown in Figure 192, the three highest expenditure categories were Personnel emoluments and development expenditure, which accounted for 89 per cent and 9 per cent of total expenditure for the reporting period, respectively.

3.33.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.6.73 billion. This amount included Kshs.6.73 billion from the County Executive. The trade payables from the County Executive consisted of Kshs.4.99 Billion for recurrent expenditures and Kshs.1.74 billion for development expenditures.

During the reporting period, the County Executive settled the trade payables amounting to Kshs.1.30 billion, comprising Kshs.1.22 billion (94 per cent) for recurrent programmes and Kshs.83.91 million (6 per cent) for development programmes. The outstanding accounts receivables as of 30th September 2025 was Kshs5.34 billion for County Executive. Table 3.383 provides additional details of trade payables.

Table 3.383: Narok County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1st July 2025 (End of FY 2024/25)	a	County Executive	1,739,741,989.87	4,992,660,482.45	6,732,402,472.32
		Total	1,739,741,989.87	4,992,660,482.45	6,732,402,472.32
Amount paid in FY 2025/26	c	County Executive	83,908,124.00	1,219,080,818.48	1,302,988,942.48
		Total	83,908,124.00	1,219,080,818.48	1,302,988,942.48
Outstanding trade payables as of 30th September 2025	e=a-c*b	**County Executive**	**1,655,833,865.87**	**3,773,579,663.97**	**5,429,413,529.84**
		Total	**1,655,833,865.87**	**3,773,579,663.97**	**5,429,413,529.84**

Source: *Narok County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to start paying trade payables in the second quarter of FY 2025/26. The County cleared bills amounting Kshs.1.3 billion for the Executive in the review period.

Table 3.384 presents the ageing of the total outstanding bills as of 30th September 2025 for the County Executive and Assembly, which were Kshs.5.69 billion.

Table 3.384: Narok County Executive Trade Payables Ageing Analysis as of 30th September 2025

Category	Ageing analysis (Amount in Kshs.)				Percentage
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Payables	1,655,833,865.87	**0**	**0**	**265,000,000**	**30**
Recurrent Trade Payables (Goods & Services)	2,992,579,663.97				**55**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	781,000,000.00				**15**
Recurrent Trade Payables (Staff Claims)					
Total Recurrent Trade Payables	3,773,579,663.97	0	0	0	**70**
Total Trade Payables	5,429,413,529.84	**0**	**0**	**265,000,000**	**100**
% of Total	**100%**	**%**	**%**	**%**	**100**

Source: *Narok County Treasury*

3.33.8 Expenditure by Economic Classification

During the reporting period, the County Executive spent Kshs.777.21 million for compensation of employees, Kshs.66.18 million for operations and maintenance, and Kshs.83.91 million for development activities. Similarly, the County Assembly spent Kshs.86.18 million on compensation of employees and Kshs.13.48 million on operations and maintenance, as shown in Table 3.385.

Table 3.385: Narok County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	10,140,195,051	878,624,509	843,389,382	100,127,777	8	11
Compensation of Employees	5,109,706,795	635,068,962	777,209,700	86,780,177	15	14
Operations and Maintenance	5,030,488,256	243,555,547	66,179,682	13,347,600	1	5
Development Expenditure	6,062,240,440	150,000,000	83,908,124	-	1	-
Total	16,202,435,491	1,028,624,509	927,297,506	100,127,777	6	10

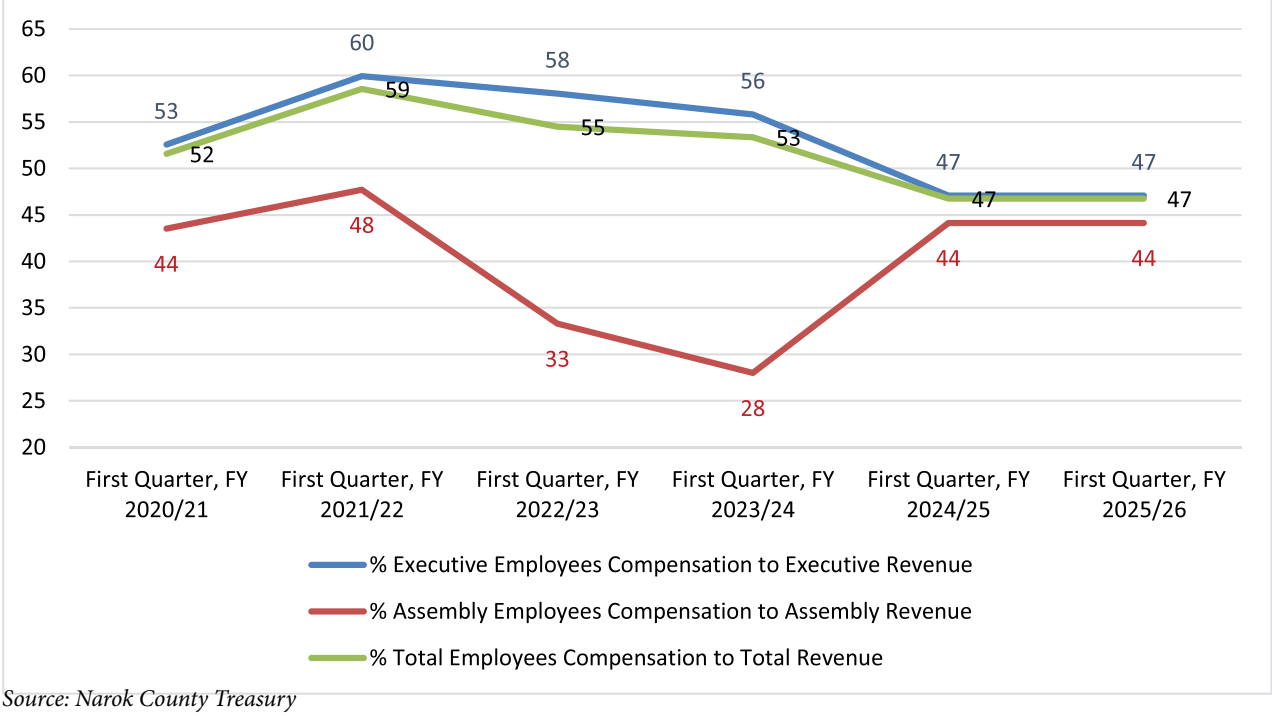
***Source**: Narok County Treasury*

3.33.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.863.99 million. The percentage of compensation of employees to revenue was 84 per cent. This expenditure on employee compensation shows an increase compared to the Kshs.836.54 million reported in a similar period in FY 2024/25. Of this total, Kshs.277.93 million related to the Health Sector employees, which accounted for 32 per cent of the overall employees' compensation.

Figure 193 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 193: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Narok County Treasury

Figure 193 shows that the Assembly apportioned 44 per cent of its first-quarter FY 2025/26 inflows to compensation of employees, while the Executive apportioned 47 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

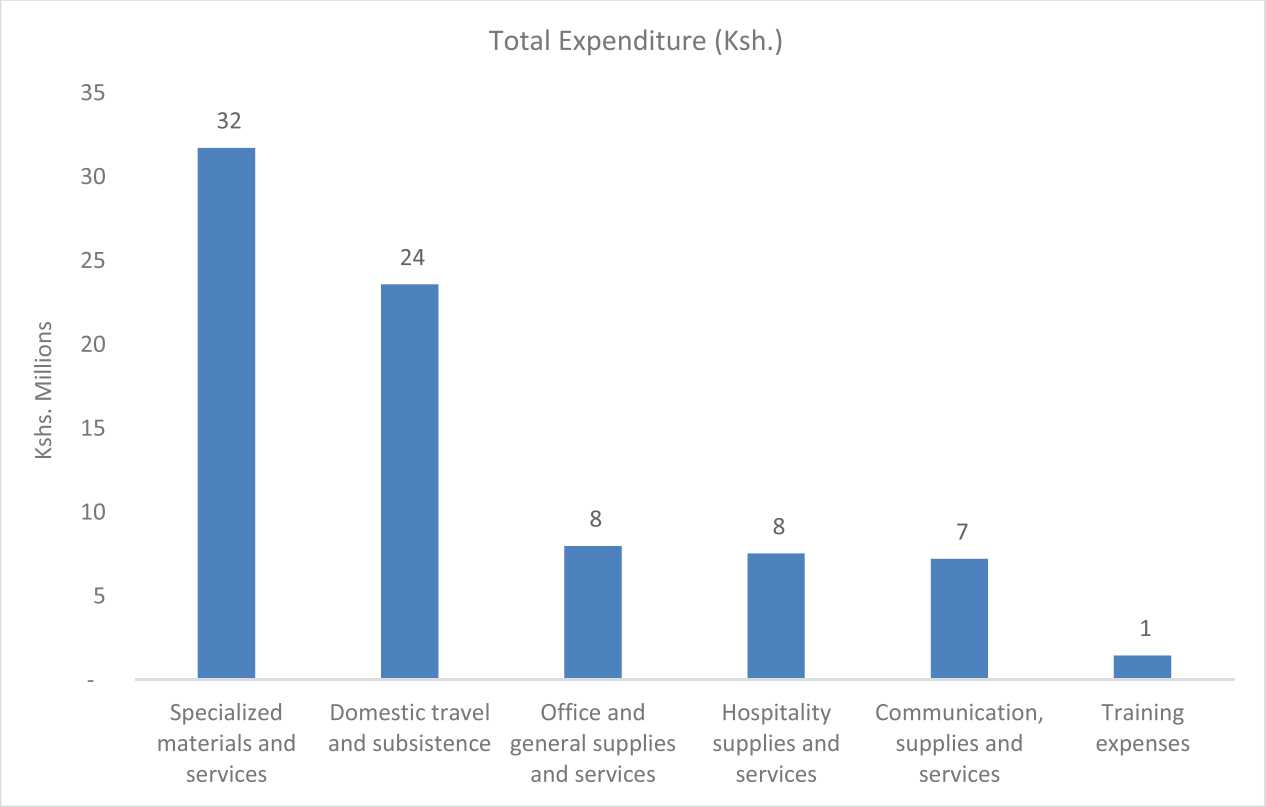
Further analysis revealed that PE costs totalling Kshs.863.88 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.104,179 was processed through manual payroll, which accounted for less than one per cent of the total PE cost. The manual payroll was entirely for gratuity remittances to pension schemes for staff on contract.

The County Assembly spent Kshs.5.75 million on committee sitting allowances for the 50 MCAs against the annual budget allocation of Kshs.35.11 million. The average monthly sitting allowance was Kshs.38,322.00 per MCA. The County Assembly had 21 House Committees.

3.33.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.79.53 million on operations and maintenance, representing a decrease of 93 per cent compared to FY 2024/25, when the County spent Kshs.1.16 billion. Figure 194 summarises the Operations and Maintenance expenditure by major categories.

Figure 194: Narok County, Operations and Maintenance Expenditure by Major Categories



Source: *Narok County Treasury*

3.33.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.450 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Further, the County did not have an allocation to the Emergency Fund contrary to Section 110 of the PFM Act, 2012. Failure to allocate funds to the Emergency Fund, as mandated by Section 110 of the Public Finance Management (PFM) Act, 2012, leaves the County Government severely exposed to unforeseen crises such as natural disasters, pandemics, or other emergencies that require immediate, unbudgeted expenditure. This omission directly undermines the County's financial resilience and its ability to respond swiftly and effectively to protect life, property, and essential services, potentially leading to delayed or inadequate disaster relief, disruption of critical County functions, and the need to re-allocate funds from planned development projects or service delivery budgets, thereby stalling progress and potentially violating other statutory obligations. Table 3.386 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.386: Performance of Narok County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Narok County Alcoholic Drinks Control and Regulation Fund	2016	-	-	-		No
	Narok County Bursary Management Fund	2013	450,000,000	-	-	470,000,000	No
	Narok County Emergency Fund		-	-	-		No
	Total		450,000,000	-	-		

Source: *Narok County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from all the Fund AdministratorsTable 3.7, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Narok County Bursary Management Fund **had lapsed**.

3.33.12 County Corporations

The County has one corporation, i.e., Narok Water and Sewerage Services Company Limited, which did not receive a budgetary allocation in FY 2025/26.

3.33.13 Expenditure on Domestic and Foreign Travel

The County did not incur any expenditures for foreign travel in the first quarter of FY2025/26.

3.33.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.37.73 million as FIF, which was 1 per cent of the annual target of Kshs.120.95 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County, however, has not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.37.73 million incurred by 6 level four hospitals.

3.33.15 Development Expenditure

During the review period, the County reported spending Kshs.83.91 million on development programmes, representing an 82 per cent decrease compared to FY 2024/25, when the County spent Kshs.477.28 million. Table 3.387 summarises the development projects with the highest expenditure in the reporting period.

The decline in development expenditure resulted from the National Treasury's directive that all procurement processes be undertaken through the e-GP system.

Table 3.387: Narok County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30th September 2025	Imple-mentation status (%)
	County Funded Projects							
1	Public Works, Roads and Transport	Routine maintenance of County roads-Olola-muita -Kee-korok lodge	Siana ward	October 2024	18,211,550	10,926,930	10,926,930	60
2	Public Works, Roads and Transport	Routine maintenance of County roads-Togom-Oyarata _Olopirik 12km	Mara Ward	Jan-25	13,925,090	8,355,054	8,355,054	60
3	Public Works, Roads and Transport	Routine maintenance of County roads-Olelusie, Entoltol, Pakar-ara, Olesimu Road 35km	Meli-li-Oloro-pil ward	Dec-24	19,047,476	11,926,930	11,926,930	63
4	Public Works, Roads and Transport	Routine maintenance of County roads-Talek -Musiara Gate (section 2) 17km	Mara Ward	May-25	16,900,400	10,140,240	10,140,240	60
5	Public Works, Roads and Transport	Routine maintenance of County roads-Keekorok lodge -Sand river road 11km	Mara Ward	Jun-25	15,400,670	9,240,402	9,240,402	60
	Public Works, Roads and Transport	Routine maintenance of County roads-Naire-kia-Sintakara Road 15km	Keekon-yokie Ward	May-25	14,983,950	8,990,370	8,990,370	60
	Public Works, Roads and Transport	Routine maintenance of County roads-Ngosoani -Naishi -Ole Moncho Road	Mara Ward	May-25	9,250,000	8,350,000	8,350,000	90
	Public Works, Roads and Transport	Routine maintenance of County roads-Enku-toto-Olchurra road 14km	Maji moto -Narusora ward	Jun-25	14,780,000	8,868,000	8,868,000	60
	Public Works, Roads and Transport	Routine maintenance of County roads-Olokurto -karia-Nkoko-lani 13km	Olokurto Ward	May-25	11,850,330	7,110,198	7,110,198	60

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30th September 2025	Imple-mentation status (%)
	Public Works, Roads and Transport	Routine maintenance of County roads-Olol-amuita-Kee-korok lodge	Siana ward	October 2024	18,211,550	10,926,930	10,926,930	60
	Public Works, Roads and Transport	Routine maintenance of County roads-Togom-Oyarata _Olopirik 12km	Mara Ward	Jan-25	13,925,090	8,355,054	8,355,054	60
	Public Works, Roads and Transport	Routine maintenance of County roads-Olelusie, Entoltol, Pakar-ara, Olesimu Road 35km	Meli-li-Oloro-pil ward	Dec-24	19,047,476	11,926,930	11,926,930	63
	Public Works, Roads and Transport	Routine maintenance of County roads-Talek -Musiara Gate (section 2) 17km	Mara Ward	May-25	16,900,400	10,140,240	10,140,240	60
	Public Works, Roads and Transport	Routine maintenance of County roads-Keekorok lodge -Sand river road 11km	Mara Ward	Jun-25	15,400,670	9,240,402	9,240,402	60

Source: *Narok County Treasury*

The County reported no stalled projects as of 3oth September, 2025.

3.33.16 Budget Performance by Department

Table 3.388 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.388: Narok County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County assembly	878.62	150.00	100.13	-	100.13	-	100	-	11	-
County Executive	272.38	-	23.63	-	23.63	-	100	-	9	-
Finance & Economic Planning	1,295.33	220.00	74.15	-	74.15	-	100	-	6	-
Transport and Public Works	321.47	1,376.58	18.17	83.91	18.17	83.91	100	100	6	6
Education, Youth, Sports, Culture and Social Services	1,751.65	530.20	151.46	-	151.46	-	100	-	9	-
Environment Protec-tion, Energy, Water & Natural Resources	411.73	458.03	24.59	-	24.59	-	100	-	6	-
Public Service Board	104.29	-	8.53	-	8.53	-	100	-	8	-

Department	Budget Allocation (Kshs.Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Live-stock & Fisheries	468.62	562.42	32.12	-	32.12	-	100	-	7	-
Health & Sanitation	3,067.20	1,243.10	344.09	-	344.09	-	100	-	11	-
Lands Housing Physical Planning & Urban Development	114.83	65.00	12.52	-	12.52	-	100	-	11	-
ICT & E Govern-ment	128.28	175.00	-	-	-	-	-	-	-	-
Administration And Public Services Management	943.58	432.00	74.25	-	74.25	-	100	-	8	-
Trade, Industry and Cooperative Devel-opment	620.69	676.72	79.86	-	79.86	-	100	-	13	-
Office of the County Attorney	433.26	10.00	-	-	-	-	-	-	-	-
Municipality (Narok)	168.18	191.69	-	-	-	-	-	-	-	-
Municipality (Kil-goris)	38.70	121.50	-	-	-	-	-	-	-	-
Total	11,018.82	6,212.24	943.52	83.91	943.52	83.91	100	100	9	1

***Source**: Narok County Treasury*

Analysis of expenditure by departments shows that the Department of Transport and Public Works recorded the highest absorption rate of development budget at 6 per cent. The Department of Trade, Industry and Co-operative Development had the highest recurrent expenditure-to-budget ratio at 13 per cent. In contrast, the Departments of Environment Protection, Energy, Water & Natural Resources, Transport and Public Works, and Finance & Economic Planning all had the lowest at 6 per cent.

3.33.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Tourism Promotion and Marketing in the Department of Tourism Development and Promotion at 23 per cent, Board Management Services in the Department of General Administration, Planning & Support Services at 22 per cent, and Forests Conservation and Management at 14 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Economic Planning Coordination and Monitoring and Evaluation Services in the Department of Economic Policy and County Planning at 1 per cent of the budget allocation.

3.33.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to bank accounts for imprest, petty cash and revenue collection.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 123 accounts in commercial banks, all of which were for Health facilities.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening the 123 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The failure of the County Treasury to submit copies of the authorisation letters to the Controller of Budget (CoB) for opening the 123 commercial bank accounts, as required by Regulation 82(5) of the PFM (County Governments) Regulations, 2015, results in a lack of oversight and transparency over the County's banking arrangements and cash holdings, which is a breach of mandatory financial control procedures. This non-compliance hinders the CoB's constitutional and statutory mandate to authorise the withdrawal of public funds and to monitor their use, thereby creating a significant risk of unauthorised transactions, mismanagement, and potential misappropriation across those accounts, ultimately undermining the integrity of the public finance management system and eroding public trust.

3.33.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 10th November, 2025.

ii. Low development performance was observed during the review period, as the County incurred Kshs.83.91 million on development activities, resulting in a 1 per cent absorption rate.

iii. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30th September 2025, the lifespan of the Narok County Bursary Management Fund had lapsed, making it ineligible for further withdrawals.

iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. Reports for all established Funds were not submitted to the CoB as of 15th July 2025.

v. High level of trade payables, which amounted to Kshs.5.43 billion as of 30th September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.

vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.

ii. The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.

iii. The County should implement strategies to increase development expenditures in FY 2025/26.

iv. The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.

v. The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.

vi. The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.

vii. *The County Treasury should ensure that it submits copies of authorisation letters to OCoB for opening commercial bank accounts, thereby enhancing accountability and oversight.*

3.34. County Government of Nyamira

3.34.1 Overview of FY 2025/26 Budget

The Nyamira County Approved Budget for FY 2025/26 is Kshs.8.65 billion. It comprises Kshs.3.28 billion (38 per cent) and Kshs.5.37 billion (62 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.543.40 million (7 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.87 billion and a recurrent budget of Kshs.5.23 billion. The increase in the budget was primarily attributed to higher projections for own-source revenue and a balance brought forward from FY 2024/25.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.6.07 billion (70 per cent), additional allocations of Kshs.1.32 billion (15 per cent), a cash balance of Kshs.383.64 million (4 per cent) brought forward from FY 2024/25, and Kshs.868.71 million (10 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.389.

3.34.2 Revenue Performance

During the first Quarter of FY 2025/26, the County generated Kshs.1.82 billion in revenue. This amount represented an increase of 22 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.48 billion. The total revenue consisted of Kshs.941.47 million from the equitable share of revenue raised nationally, additional allocations from the national government and development partners amounting to Kshs.139.36 million, as well as own-source revenue (OSR) collection of Kshs.96.26 million. Additionally, the County had a cash balance of Kshs.1.28 billion from FY 2024/25. The total OSR collection of Kshs.96.26 million included Facilities Improvement Financing (FIF) of Kshs.77.27 million, and Kshs.18.99 million from other OSR sources. Table 3.389 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.389: Nyamira County, Revenue Performance in FY 2025/26

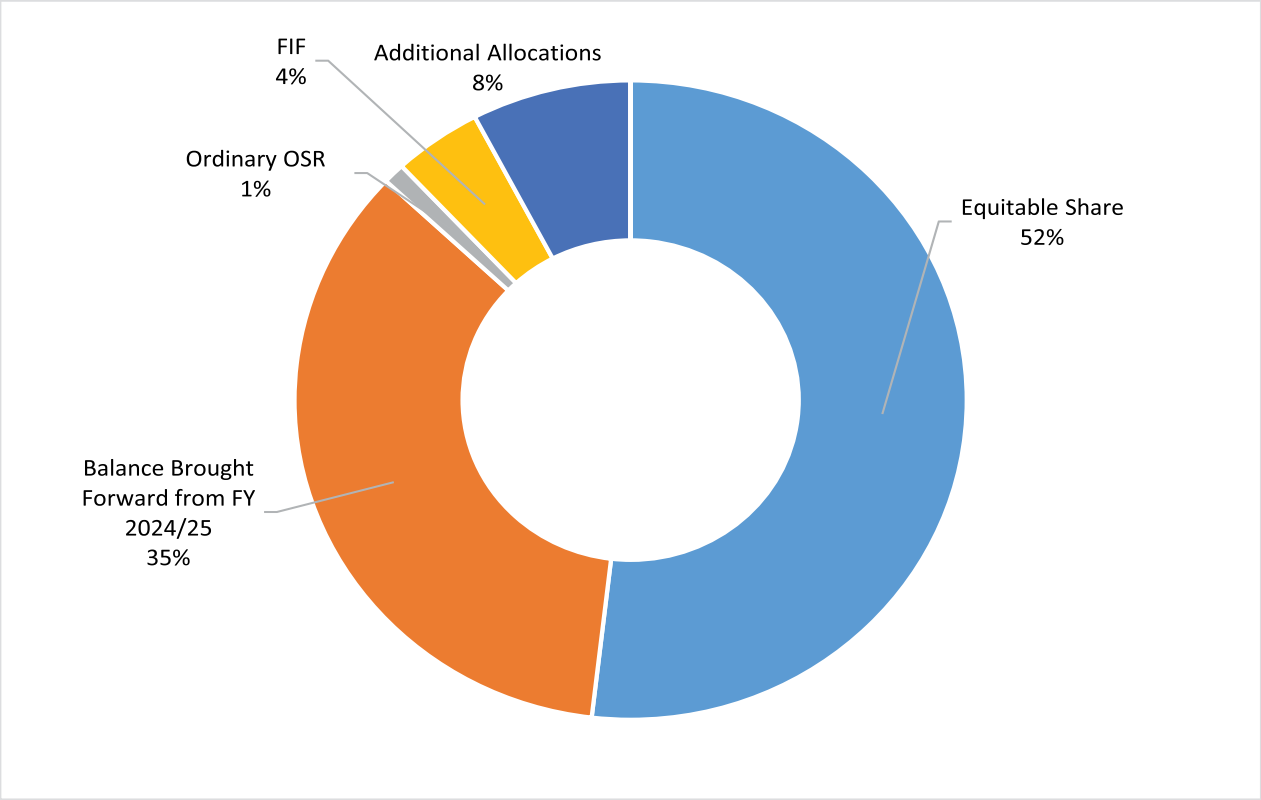
Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Performance (%)
A. Equitable Share	6,073,434,356	941,473,748	16
Sub-Total	**6,073,434,356**	**941,473,748**	**16**
B. Additional Allocations			
Kenya Devolution Support Programme Level II	352,500,000	-	-
National Agricultural Value Chain Development Project (NAVCDP)	231,250,000	-	-
Kenya Second Informal Settlement Improvement Programme (KISIP 2)	148,123,322	110,890,473	75
County Climate Resilience Support (CCRS)-World Bank	162,210,133	21,055,736	13
Aggregated Industrial Park Programme	133,500,000	-	-
Road Maintenance Levy Fund	114,508,787	-	-
Community Health promoters	64,349,711	-	-
Kenya Devolution Support Programme Level I	37,500,000	-	-
Kenya Urban Support Programme (KUSP_UIG)	35,000,000	-	-
Kenya Agricultural Business Development Project (Sweden)	10,918,919	-	-
Kenya Urban Support Programme (KUSP_UDG)	19,817,128	-	-
DANIDA Level One	5,358,000	7,410,000	138
DANIDA Level 2&3	5,472,000	-	-
Sub-Total	1,320,508,000	139,356,209	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	218,710,000	18,987,612	9
Balance b/f from FY2024/25	383,646,035	638,617,997	167
Balance at CRF	638,451,249	638,451,249	100

Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs)	Performance (%)
County Executive Refund to CRF	164,708	164,708	100
County Assembly Refund to CRF	2,039	2,039	100
Facility Improvement Fund (FIF)	650,000,000	77,274,567	12
Sub-Total Other Sources	1,252,356,035	734,880,176	59
Grand Total	**8,646,298,391**	**1,815,710,133**	**21**

Source: *Nyamira County Treasury*

The County does not have governing legislation on the operation of ordinary A-I-A and FIF. Figure 195 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 195: Nyamira County Composition of Each Shilling Received in the First Quarter of FY 2025/26

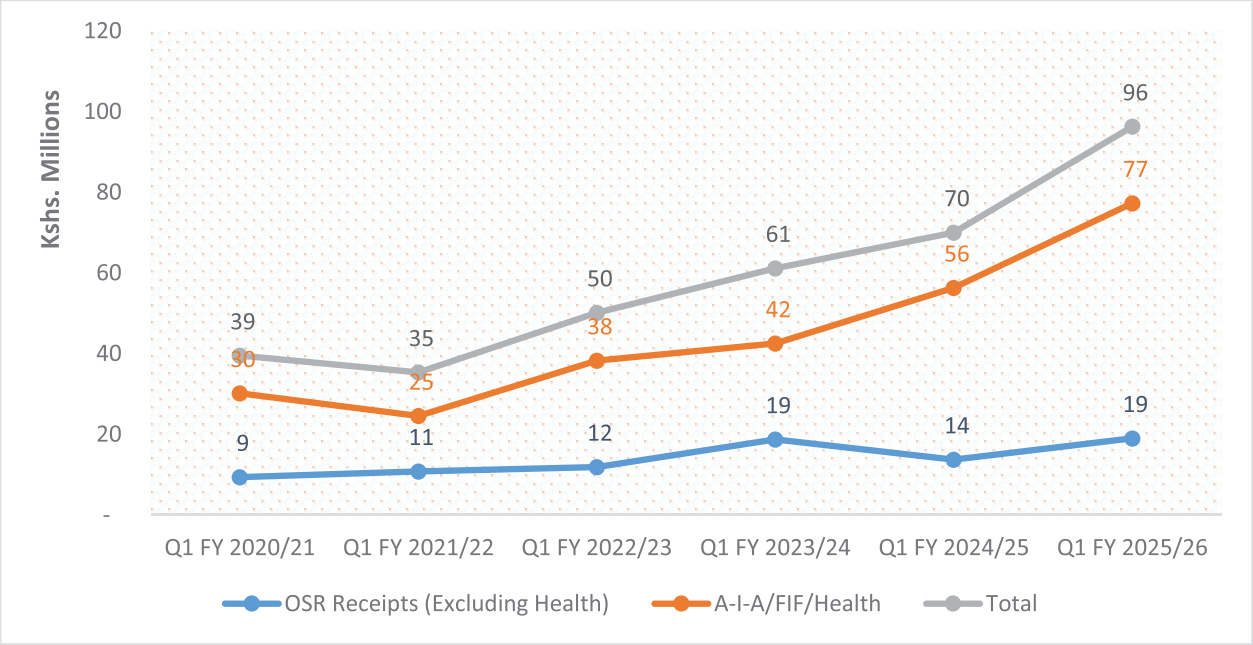


Source: *Nyamira County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 52 per cent, 35 per cent and 1 per cent, respectively, of the total receipts for the reporting period.

Figure 196 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 196: Nyamira County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



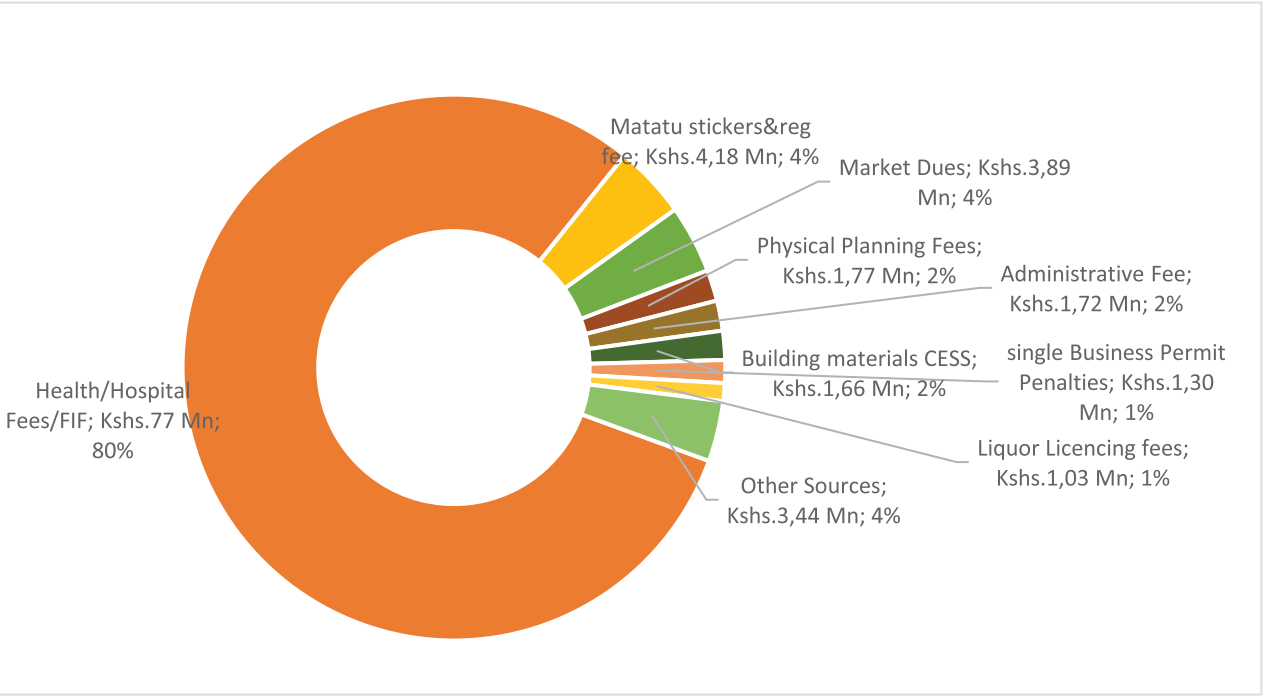
Source: *Nyamira County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.96.26 million from its revenue sources, including FIF. This amount was an increase of 38 per cent compared to Kshs.70 million realised in a similar period in FY 2024/25, and was 11 per cent of the annual target and 10 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to stringent revenue-collection measures, surveillance, and improved drug supply in health facilities, which, in turn, has led to more visits to County health facilities.

The revenue streams that contributed the most to OSR receipts are shown in Figure 197.

Figure 197: Nyamira County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Nyamira County Treasury

As shown in Figure 197, the highest revenue stream, at Kshs.77.27 million, was from Facility Improvement Financing, accounting for 80 per cent of the total OSR receipts. The County Government indicated that it has automated 29 revenue streams out of 31.

3.34.3 Revenue Arrears

As of 1st July 2025, the County did not report revenue arrears.

Table 3.390: Nyamira County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September 2025			516,241,920	**516,241,920**	
	Sub-Total			**516,241,920**	**516,241,920**	
Total				**516,241,920**	**516,241,920**	

Source: Nyamira *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.516.24 million, comprising Kshs.516.24 for Equitable share (100 per cent).

3.34.4 Borrowing by the County

Both the County Executive and Assembly has not disclosed any borrowing during the reporting period.

3.34.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.783.34 million from the CRF account during the reporting period, which comprised Kshs.142.02 million (18 per cent) for development programmes and Kshs.642.32 million (82 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.591.08 million was towards employee compensation and Kshs.50.24 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 65 per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.42.83 million and included Kshs.16.06 million for the County Executive and Kshs.26.77 million for the County Assembly. There were no foreign exchequer issues.

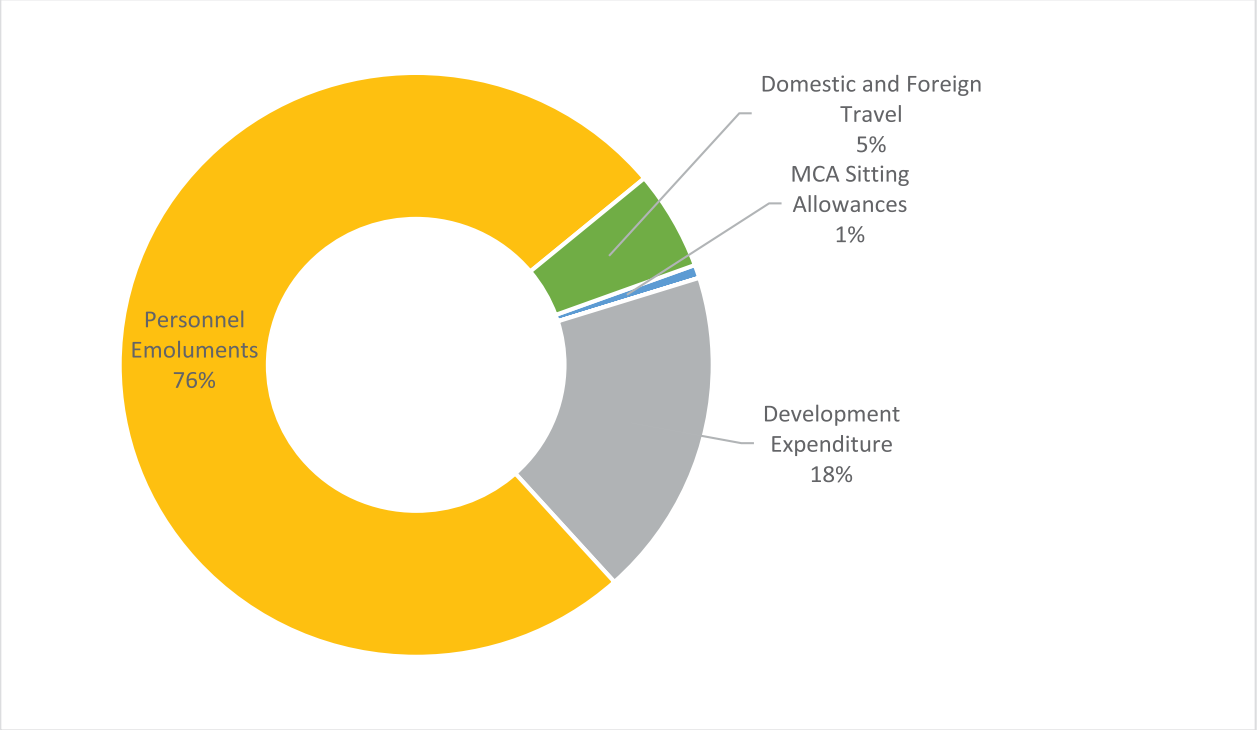
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.863.63 million.

3.34.6 Expenditure Review

The County spent Kshs.783.34 million on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.142.02 million for development programmes and Kshs.642.32 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 4 per cent, while recurrent expenditure represented 12 per cent of the annual recurrent expenditure budget.

Figure 198 provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 198: Nyamira County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Nyamira County Treasury*

As shown in Figure 198, the three highest expenditure categories were personnel emoluments, Development expenditure and domestic travel contributing 76 per cent, 18 per cent and 5 per cent of total expenditure for the reporting period.

3.34.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.340.50 million. This amount included Kshs.332.32 million from the County Executive and Kshs.8.18 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.218.12 million for recurrent expenditures and Kshs.114.20 million for development expenditures.

During the reporting period, the County did not settle trade payables. The outstanding trade payables as of 30th September 2025 were Kshs.332.32 million for the County Executive and Kshs.8.18 million for the County Assembly. Table 3.391 provides additional details of trade payables.

Table 3.391: Nyamira County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	114,201,463	218,11z7,214	332,318,677
		County Assembly	8,179,261		8,179,261
		Total	**122,380,724**	**218,117,214**	**340,497,938**
Trade Payables Incurred in First Quarter of FY 2025/26	d	County Executive	217,027,720	131,892,608	348,920,328
		County Assembly			-
		Total	339,408,444	350,009,822	689,418,267
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	339,408,444	350,009,822	**689,418,267**
		County Assembly	8,179,261		**8,179,261**
		Total	**347,587,705**	**350,009,822**	**697,597,528**

Source: *Nyamira County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.689.42 million and Kshs.8.12 million, respectively, in the first quarter of FY 2025/26. The County did not adhere to this payment plan, as it did not clear the trade payables.

Table 3.392 and Table 3.393 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.697.59 million.

Table 3.392: Nyamira County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	217,027,719	64,220,000	11,443,531	46,717,194	339,408,444
Recurrent Trade Payables (Goods & Services)	131,892,608	127,030,403	34,052,027	57,034,784	350,009,822
Total Recurrent Trade Payables	131,892,608	127,030,403	34,052,027	57,034,784	350,009,822
Total Trade Payables	348,920,328	191,250,403	45,495,558	103,751,978	689,418,267
% of Total	50	28	7	15	100

Source: *Nyamira County Treasury*

Table 3.392 shows that 78 per cent of the Executive payables and less than 2 years old. Cumulatively 51 per cent of the payables are recurrent and 49 per cent are development.

Table 3.393: Nyamira County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**0**	**8,179,261**	**0**	**0**	**8,179,261**
Total Trade Payables	**0**	**8,179,261**	**0**	**0**	**8,179,261**
% of Total	**%**	**100%**	**%**	**%**	**100%**

Source: *Nyamira County Treasury*

Table 3.393 shows that the Assembly's payables are all development-related and are aged between 1 and 2 years.

3.34.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.475.99 million for compensation of employees, Kshs.39.53 million for operations and maintenance, and Kshs.131.95 million for development activities. Similarly, the County Assembly spent Kshs.99.03 million on compensation of employees, Kshs.26.77 million on operations and maintenance, and Kshs.10.07 million on development activities, as shown in Table 3.394.

Table 3.394: Nyamira County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**4,675,893,205**	**689,414,409**	**515,522,767**	**125,797,800**	**11**	**18**
Compensation of Employees	2,982,050,590	419,033,364	492,053,267	99,026,400	17	24
Operations and Maintenance	1,693,842,615	270,381,045	23,469,500	26,771,400	1	10
Development Expenditure	**3,048,990,777**	**232,000,000**	**131,946,209**	**10,071,130**	4	4
Total	**7,724,883,982**	**921,414,409**	**647,468,976**	**135,868,930**	**8**	**15**

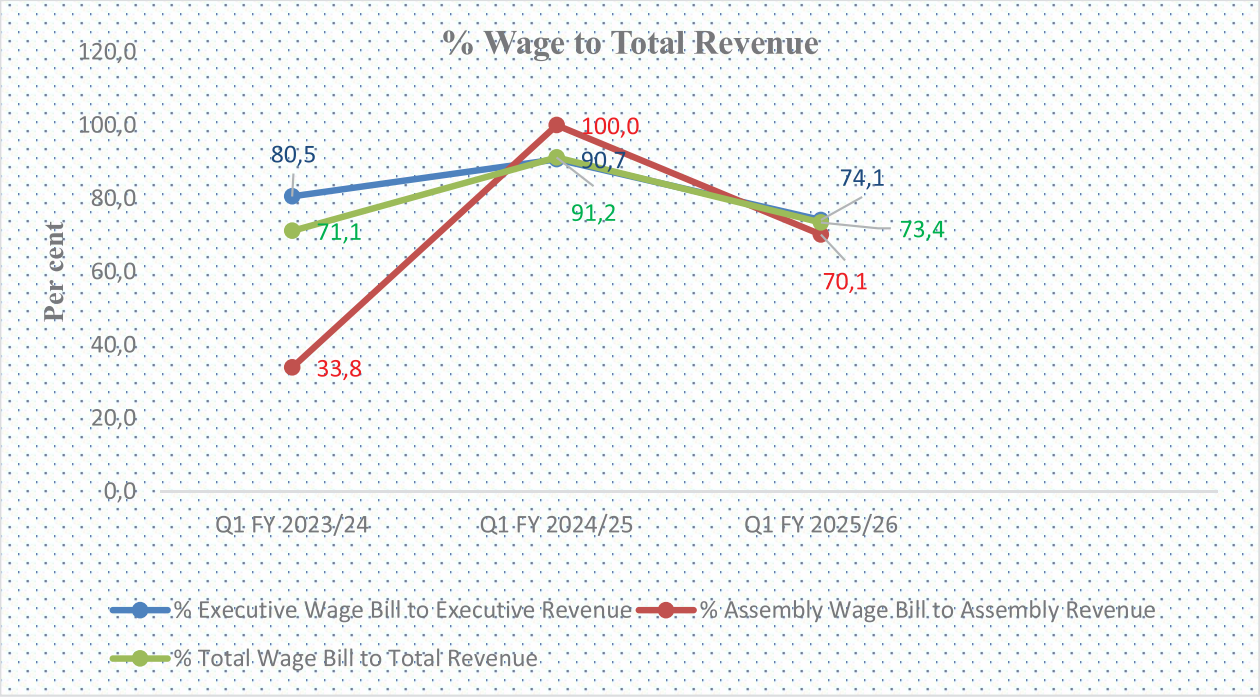
Source: *Nyamira County Treasury*

3.34.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.591.08 million. The compensation-to-revenue ratio was 75 per cent. This expenditure on employee compensation shows an increase compared to the Kshs.552.21 million reported in a similar period in FY 2024/25. Of this total, Kshs.254.70 million related to the Health Sector employees, which accounted for 43 per cent of the overall employees' compensation.

Figure 199 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 199: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Nyamira County Treasury

Figure 199 shows that the Assembly apportioned 70 per cent of their inflows in the first quarter of FY 2025/26 to compensation of employees, while the Executive apportioned 74 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

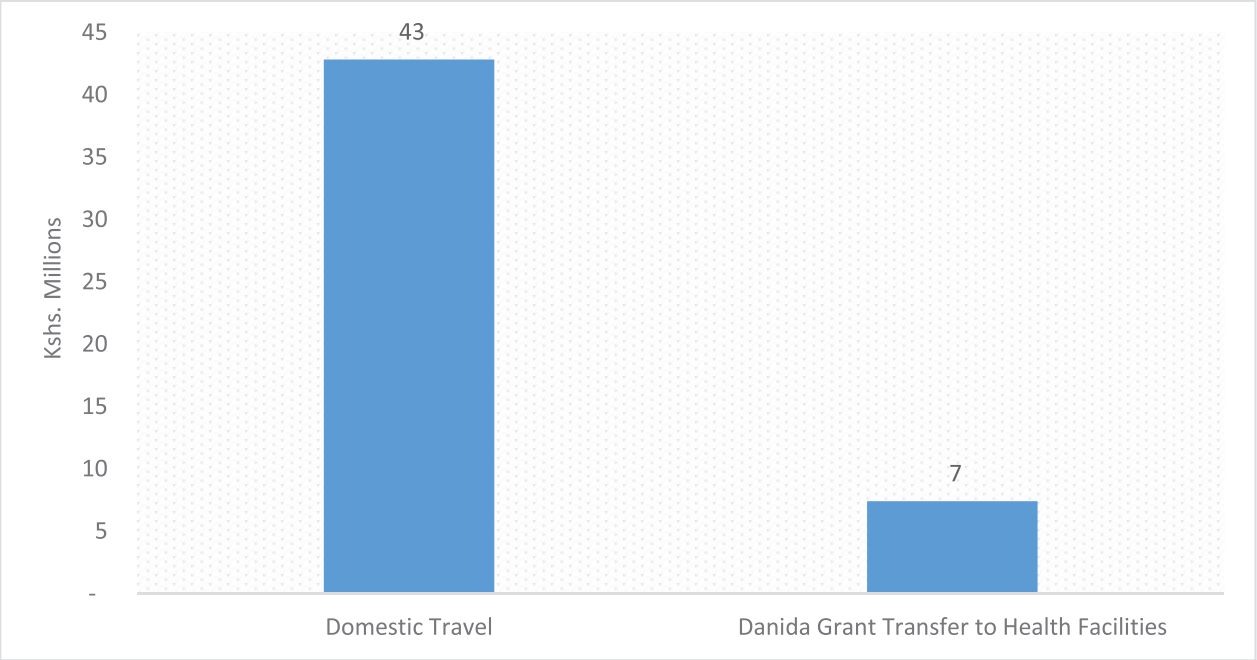
Further analysis indicated that all PE costs were processed through the Human Resource Information System (HRIS).

The County Assembly spent Kshs.5.76 million on committee sitting allowances for the 34 MCAs against the annual budget allocation of Kshs.41.18 million. The average monthly sitting allowance was Kshs.56,499 per MCA. The County Assembly has 20 House Committees.

3.34.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.50.24 million on operations and maintenance, representing an increase of less than one per cent compared to FY 2024/25, when the County spent Kshs.49.79 million. Figure 200 summarises the Operations and Maintenance expenditure by major categories.

Figure 200: Nyamira County, Operations and Maintenance Expenditure by Major Categories



Source: *Nyamira County Treasury*

3.34.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.55 million to County-Established funds in FY 2025/26, or less than 1 per cent of the County's overall budget. Further, the County allocated Kshs.10 million to the Emergency Fund (less than one per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.7 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.395: Performance of Nyamira County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs.)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1.	Emergency Fund	2019	10,000,000	-	-	146,000,000	No
2.	Education Support Fund	2016	30,000,000	-	-	659,915,513	No
3.	Car Loan & Mortgage Fund	2015	15,000,000	-	-	152,500,000	No
		County Assembly Established Funds					
4.	Car and Mortgage Fund (Assembly)	2017	-	-	-	431,000,000	No
	Total		**55,000,000**			**1,389,415,513**	

Source: *Nyamira County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from all the Fund Administrators, as indicated in Table 3.395, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the **Car Loan and Mortgage Fund (Execu-**

tive) had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.34.12 County Corporations.

The County has two County corporations, which were allocated Kshs.36. 0 million in FY 2025/26. They did not incur any expenditure for the review period as shown in Table 3.396.

Table 3.396: Performance of Nyamira County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1.	Nyamira Investment Corporation	5,498,185	-	-	3,599,826
2.	Nyamira Water and Sanitation Company	30,501,185	-	-	31,506,947
	Total	35,999,370	-	-	35,106,773

Source: *Nyamira County Treasury*

3.34.13 Expenditure on Domestic and Foreign Travel.

Expenditure on domestic travel amounted to Kshs.42.83 million and comprised Kshs.26.77 million spent by the County Assembly and Kshs.16.06 million by the County Executive. The County did not report Expenditure on foreign travel.

3.34.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.77.27 million as FIF, which was 12per cent of the annual target of Kshs.650 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has however, not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.114 million, as shown in Table 3.397.

Table 3.397: Nyamira County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (million Kshs.Mn)	Actual Expenditure (million Kshs.Mn)	Absorption rate (%)
1.	Level 5 Hospital	1	300	55	18
2.	Level 4 Hospital	8	280	52	19
3.	Level 3 Facility	71	15	5	33
4.	Level 2 Facility	38	5	2	40
	Total		**600**	**114**	**19**

Source: *Nyamira County Treasury*

3.34.15 Development Expenditure

In the review period, the County reported spending Kshs.142.02 million on development programmes, representing an increase of 330 per cent compared to FY 2024/25, when the County spent Kshs.33 million. Table 3.398 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to the early Exchequer release for KISIP II grant which was used to improve roads in Keroka town.

Table 3.398: Nyamira County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1	Land, Physical Planning, Housing and Urban Development	Construction of roads in Keroka town	Keroka town	31 December 2026	110,890,473	110,890,473	110,890,473	100
2	County Assembly	Construction of an office block	Nyamira Town	31 December 2027	367,000,000	10,071,130	265,974,432	72
	Total				**477,890,473**	**120,961,603**	**376,864,905**	

Source: *Nyamira County Treasury*

The County reported two stalled development projects as of 30 September 2025, with an estimated value of Kshs.417.35 million, of which Kshs.259.99 million has already been paid. The stalled projects are shown in Table 3.399.

Table 3.399: Nyamira County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Project Name
Nyamira County Headquarters	Nyamira Town	382,970,401	233,382,457	149,587,944	61	Nyamira County Headquarters
County Assembly Speaker's Residence	Bonyamatuta Ward	34,377,805	26,615,748	7,762,057	77	County Assembly Speaker's Residence
Total		**417,348,206**	**259,998,205**	**157,350,001**		

Source: *Nyamira County Treasury*

3.34.16 Budget Performance by Department

Table 3.400 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.400: Nyamira County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	689.41	232.00	125.80	10.07	125.80	10.07	100	100	18.2	4.3
County Executive	444.95		40.08		30.76		76.8	-	6.9	-
Finance and Accounting services	187.49	261.57	32.72		17.55		53.6	-	9.4	-
Crop Development	60.53	317.67	23.46		11.81		50.3	-	19.5	-
Environment, Water, Energy & Natural Resources	72.58	248.71	12.88	21.06	8.76	21.06	68.0	100.	12.1	8.5

Education & Vocational Training	470.27	108.90	84.96		56.39		66.4	-	12.0	-
Medical Services	926.62	419.30	127.28		127.28		100	-	13.7	-
Land, Physical Planning, Housing and Urban Development	92.43	291.02	22.86	110.89	15.18	110.89	66.4	100	16.4	38.1
Water Sanitation and Irrigation	44.23	88.70	4.70		3.13		66.7	-	7.1	-
Transport & Public Works,	107.96	435.72	24.03		16.41		68.3	-	15.2	-
Trade, Tourism and Co-operatives Development	45.35	256.20	10.58		7.12		67.3	-	15.7	-
Youth, Gender, Culture and Social services	79.79	26.80	12.96		8.65		66.8	-	10.8	-
CPSB	57.30		3.87		2.69		69.5	-	4.7	-
Public Service Management	508.09	372.50	55.10		36.68		66.6	-	7.2	-
Nyamira Municipality	86.78	94.30	15.97		10.66		66.8	-	12.3	-
The County Attorney	24.45		-				-	-	-	-
Economic Planning, Resources Mobilization and ICT	178.55	20.00	15.44		15.44		100	-	8.6	-
Livestock and Fisheries Services	102.92	16.50	11.64		11.64		100	-	11.3	-
Primary Healthcare	1,102.07	41.10	261.23		134.94		51.7	-	12.2	-
Keroka municipality	28.56	20.00	1.49		0.41		27.3	-	1.4	-
Nyamira revenue board	14.00		-				-	-	-	-
Nyamira disability board	5.00		-				-	-	-	-
Nyamira Investment Board	5.50		-				-	-	-	-
Nyamira Water and sanitation company	30.50	30.00	-				-	-	-	-
Total	5,365.31	3,280.99	887.05	142.02	641.32	142.02	72.3	100	12	4.3

***Source**: Nyamira County Treasury*

Analysis of expenditure by departments shows that the Department of Land, Physical Planning, Housing and Urban Development recorded the highest absorption rate of development budget at 38 per cent, followed by the Department of Environment, Water, Energy & Natural Resources at 9 per cent. The Department of Crop Development had the highest recurrent expenditure-to-budget ratio at 20 per cent, while Keroka municipality had the lowest at 1.4 per cent.

3.34.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Housing and urban development in the Department of Lands, Physical Planning, Housing and

Urban Development at 44 per cent, Climate change mitigation and adaptation measures in the Department of Environment, Water, Energy & Natural Resources at 10 per cent, and Infrastructure Development in the County Assembly at 4 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Policy and Planning in the Department of Transport & Public Works at 71per cent, Supply chain management in the Department of Finance and Accounting services at 39 per cent, General administration and support services in Nyamira Municipality at 22 per cent and General administration and support services in the Department of Lands, Physical Planning, Housing and Urban Development at 21 per cent of the budget allocation.

3.34.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to Imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 157 accounts with commercial banks, including 103 accounts for Health Facilities, 33 for Vocational Training Centres, four for Established Funds, three revenue accounts, 11 special-purpose accounts (additional allocations), one imprest account, and two recurrent operational accounts.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.34.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 31st October 2025.
ii. The underperformance of own-source revenue at Kshs.96.26 million against an annual target of Kshs.868.71 million, representing 11per cent of the financial year target against an expected 25 per cent performance.
iii. Low development performance in the review period as the County incurred Kshs.142.02 million on development activities, achieving a 4 per cent absorption rate against an expected 25 per cent performance.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Car Loan and Mortgage Fund had lapsed, making it ineligible for further withdrawals.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. Reports for all Funds were not submitted to the CoB as of 15 October 2025.
vi. High level of trade payables, which amounted to Kshs.685.42 million as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
viii. The County has stalled projects with an estimated value of Kshs.417.35 million, with Kshs.260 million paid (63 per cent). The stalling of the projects delays the attainment of their intended objectives.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
viii. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is essential to start projects only with secured funding, and to maintain a register of multi-year obligations to align projects with the budget.*

3.35. County Government of Nyandarua

3.35.1 Overview of FY 2025/26 Budget

The Nyandarua County Approved Budget for FY 2025/26 is Kshs.9.42 billion. It comprises Kshs.3.59 billion (38 per cent) and Kshs.5.83 billion (62 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.646.71 million (7 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.17 billion and a recurrent budget of Kshs.5.61 billion. The increase in the budget was primarily attributed to the rise in equitable share and conditional allocations.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.6.66 billion (70 per cent), additional allocations of Kshs.1.79 billion (19 per cent), unspent funds of Kshs.78.99 million (0.8 per cent) brought forward from FY 2024/25, and Kshs.975 million (10 per cent) received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.401.

3.35.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.39 billion in revenue. This amount represented an increase of 13 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.23 billion. The total revenue consisted of Kshs.1.12 billion from the equitable share of revenue raised nationally, additional allocations from the national government and development partners of Kshs.78.02 million, as well as own-source revenue (OSR) collection of Kshs.118.27 million. Additionally, the County had unspent funds of Kshs.78.99 million from FY 2024/25. The total OSR collection of Kshs.118.27 million included Facilities Improvement Financing (FIF) of Kshs.73.54 million, and Kshs.44.73 million from other OSR sources. Table 3.401 summarises the total revenue received by the County Government during FY 2025/26.

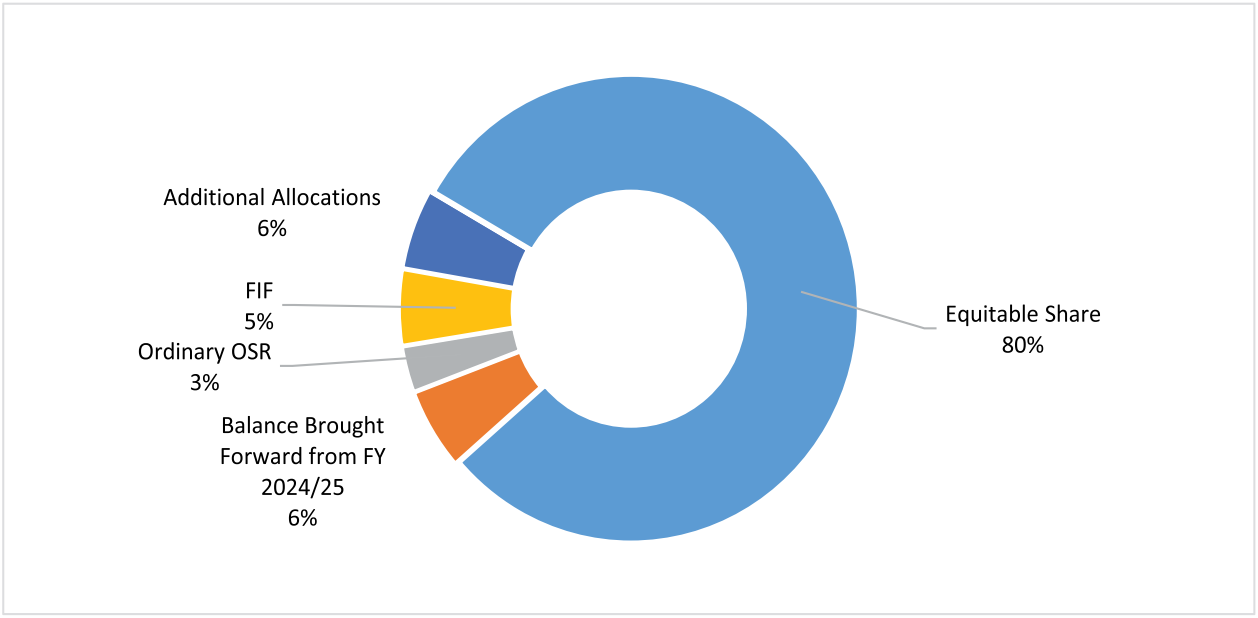
Table 3.401: Nyandarua County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenues (Kshs)	Performance (%)
A. Equitable Share	6662675631	1119040856	16.80
Sub-Total	**6662675631**	**1119040856**	**16.80**
B. Additional Allocations			
Supplement for Construction of County Headquarters	352,500,000		-
Fertilizer Subsidy Programme	222,822,888		-
Livestock Value Chains Support Project	222,822,888		-
Road Maintenance Levy Fund	151,520,000		-
Road Maintenance Levy Fund FY 2024-25	136,000,000	78,019,732	57.37
Community Health Promoters Project	135,210,000		
Sweden- Kenya Agricultural Business Development Project (KABDP)	121,620,000		-
DANIDA - Primary Health Care in Devolved Context	121,000,000		-
World Bank -Kenya Informal Settlement Improvement Project- KISIP II	104,000,000		
World Bank- Financing Locally Led Climate Action Program (FLLOCA)- County Climate Resilience Investment Grant	83,211,329		
Kenya Devolution Support Programme Level 1- FY 2021-22	41,200,000		
Kenya Development Support Program Phase 2- Level 2-Institution grant	37,500,000		-
Kenya Development Support Program Phase 2- Level 2-Institution grant B/F FY 2024-25	37,500,000		-
Kenya Devolution Support Programme Phase 2- Level 2-Development	10,972,500		-
IDA (World Bank Credit) Kenya Urban Support Project (KUSP)-Urban Institutional Grant (IUG)	10,920,000		-
Sub-Total	1,788,799,605	78,019,732	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	675,000,000	44,733,217.00	6.63
Balance b/f from FY2024/25	0	78,993,896.70	-
Balance at CRF		78,705,851.45	-
County Executive Refund to CRF		244,086.10	-
County Assembly Refund to CRF		43,959.15	-
Facility Improvement Fund (FIF)	300000000	73,543,341.00	24.51
SHIF	300,000,000	73,543,341.00	24.51
Defunct NHIF			-
Other FIF			-
Other Revenues			-
Appropriation in Aid (AIA)			-
Sub-Total Other Sources	975,000,000.00	197,270,454.70	20.23
Grand Total	**9,426,475,236.00**	**1,394,331,042.95**	**14.79**

Source: *Nyandarua County Treasury*

The County has developed regulations to operationalise the FIF Act of 2023. Figure 201 provides a detailed breakdown of revenue, showing a breakdown of each shilling received.

Figure 201: Nyandarua County Composition of Each Shilling Received in the First Quarter of FY 2025/26

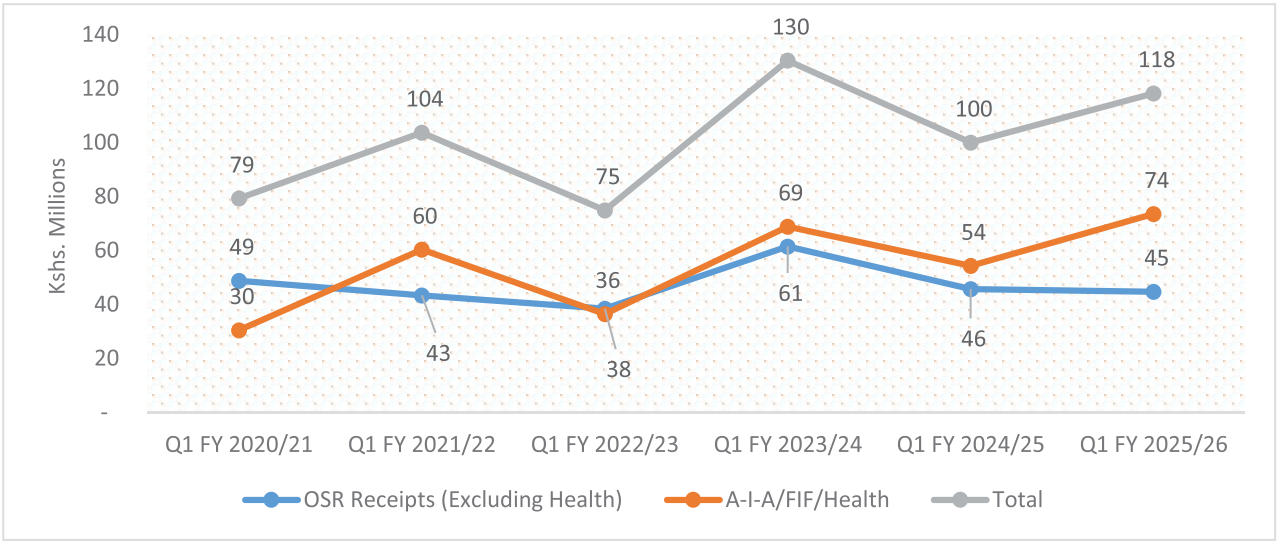


Source: Nyandarua County Treasury

The equitable share of revenue received nationally and OSR contributed 80 and 8 per cent respectively of the total revenue for the reporting period.

Figure 202 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 202: Nyandarua County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

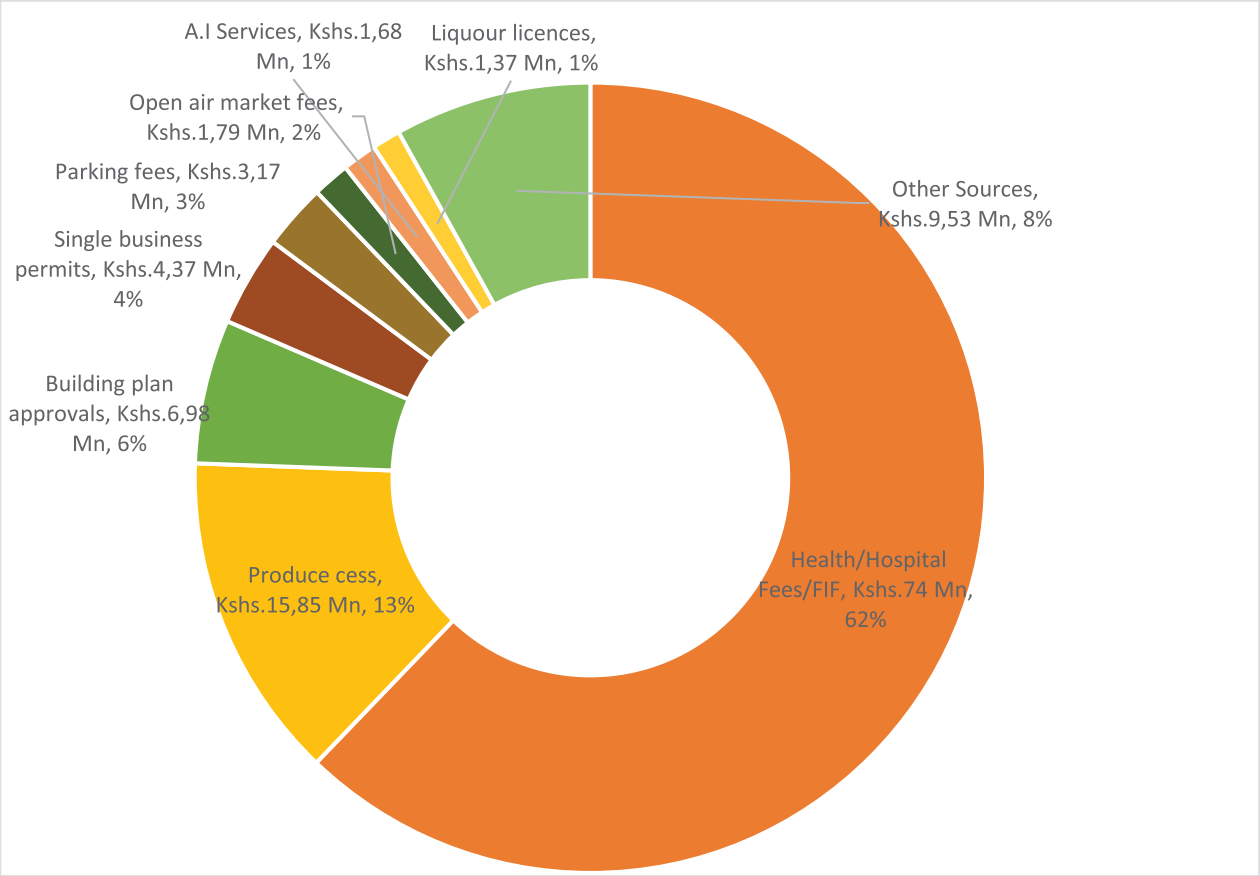


Source: *Nyandarua County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.118.28 million from its revenue sources, including FIF. This amount was an increase of 18 per cent compared to Kshs.99.97 million realised in a similar period in FY 2024/25, and was 12 per cent of the annual target and 10 per cent of the equitable revenue share disbursed.

The revenue streams that contributed the most to OSR receipts are shown in Figure 203.

Figure 203: Nyandarua County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Nyandarua County Treasury

As shown in Figure 203, the highest revenue stream, at Kshs.74 million, was from hospital collections/FIF accounting for 62 per cent of the total OSR revenues. The County Treasury has indicated that it has automated 75 revenue streams but it has reported experiencing longer downturns with the current system.

3.35.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.565.98 million, this amount increased to Kshs.702.66 million as of 30th September 2025. Table 3.402 presents a breakdown of the County's revenue arrears.

Table 3.402: Nyandarua County Accruals as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears Earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Additional Allocations**					
	Road Maintenance Levy Fund FY 2024-25	136,000,000			78,019,732	57,980,268
	Sub-Total	**214,700,000**	**0**	**0**	**78,019,732**	**136,680,268**
B	**Ordinary Own Sources of Revenue**					
	Plot rate, Land rate and Kiosk rent	474,491,294.08		5664247.58	9265568.15	478,092,614.65
	House rent	8,500,045.00		1043906		7,456,139.00
	Stall rent	3,245,800.00		809683		2,436,117.00
	Sub-Total	**486,237,139.08**	-	**7,517,836.58**	**9,265,568.15**	**487,984,870.65**
C	**Facility Improvement Fund (FIF)**					
	Defunct NHIF	77,998,028				77,998,028
	Sub-Total	**77,998,028**	-	-	-	**77,998,028**

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears Earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
	Total	778,935,167.08	-	7,517,836.58	87,285,300.15	623,963,166.65

Source: Nyandarua *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.623.96 million, comprising plot rate, land rate and kiosk rent **of** Kshs.478.09 million (68 per cent), house rent of Kshs.7.46 million (1 per cent). The County Government is considering waivers in FY 2025/26 to encourage people to clear their accruals.

3.35.4 Borrowing by the County

The County Assembly has a credit facility with equity bank where it borrowed Kshs.31.35 million to pay July salaries as a result of delay in disbursement of equitable share. The Assembly has however confirmed that the amount borrowed was repaid in the month of September, 2025. The County executive did not provide any information on borrowings.

3.35.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.368.45million from the CRF account during the reporting period, which comprised Kshs.78.02 million (21 per cent) for development programmes and Kshs.290.43 million (79 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.283.43 million was towards employee compensation and Kshs.7 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that the entire 7 million was for fuel and lubricants for the County Executive.

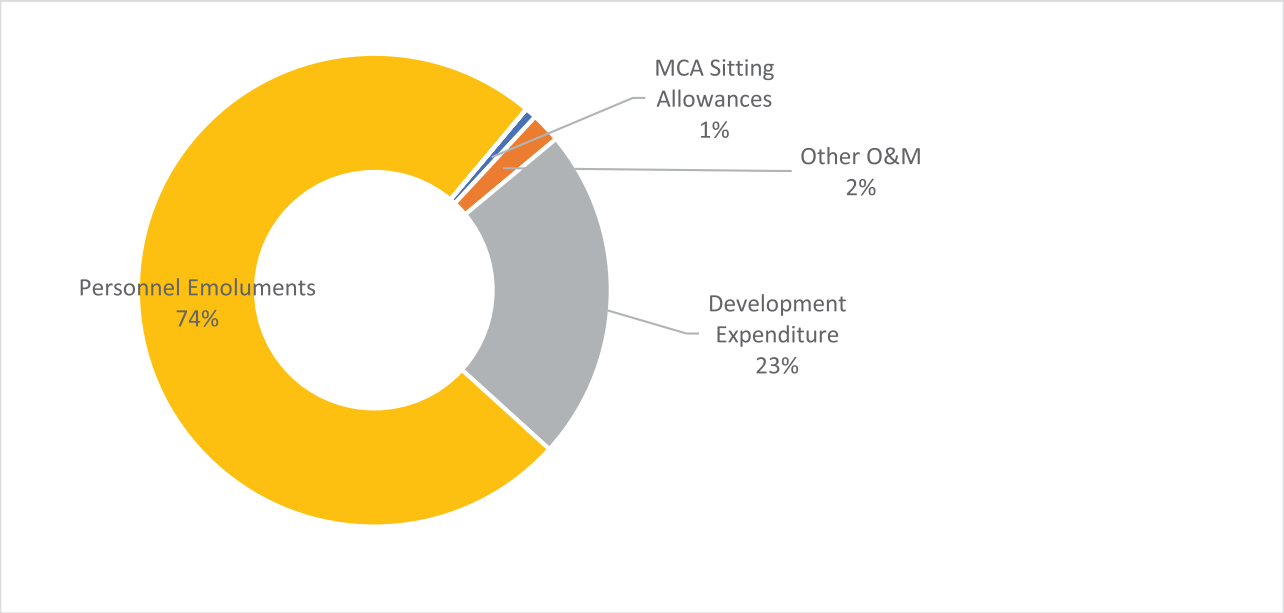
As of September 30, 2025, the County Government's unspent funds in the CRF account was Kshs.756.47 million.

3.35.6 Expenditure Review

The County paid Kshs.339.48 million on development and recurrent programmes in the reporting period. The expenditure represented 92 per cent of the total funds released by the CoB. It comprised Kshs.78.02 million for development programmes and Kshs.261.46 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 2 per cent, while recurrent expenditure represented 4 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling paid.

Figure 204: Nyandarua County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Nyandarua *County Treasury*

As shown in Figure 204, the three highest expenditure categories were Personnel Emoluments, development and Other O&M contributing 74 per cent, 23 per cent and 2 per cent of total expenditure for the reporting period.

3.35.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.53 billion. This amount included Kshs.1.36 billion from the County Executive and Kshs.168.64 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.576.52 million for recurrent expenditures and Kshs.787.01 million for development expenditures.

During the reporting period, the County executive and the County assembly did not settle any trade payables.

Table 3.403: Nyandarua County Trade Payables as of 30th September 2025

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	County Executive	787,010,391	576,516,029	1,363,526,420
	County Assembly	46,069	87,964,784	88,010,853
	Total	787,056,460	664,480,813	1,451,537,273
Amount paid in FY 2025/26	County Executive	-	-	-
	County Assembly	-	-	-
	Total	-	-	-
Trade Payables Paid in FY 2025/26	County Executive	-	-	-
	County Assembly	-	80,626,091	80,626,091
	Total	-	80,626,091	80,626,091
Outstanding Trade Payables as of 30 September 2025 (Kshs.)	County Executive	787,010,391	576,516,029	1,363,526,420
	County Assembly	46,069	168,590,875	168,636,944
	Total	**787,056,460**	**745,106,904**	**1,532,163,364**

***Source**: Nyandarua County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.233.39 million and Kshs.26.39 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it did not settle any trade payable during the period under review.

Table 3.404 and Table 3.405 present the ageing of the total outstanding payables as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.6 billion.

Table 3.404: Nyandarua County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	786,978,019	18,872		13,500	787,010,391
Recurrent Trade Payables (Goods & Services)	219,214,001	117,543,620	12,761,893		349,519,514
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	226,996,515				226,996,515
Recurrent Trade Payables (Staff Claims)					-
Total Recurrent Trade Payables	**446,210,516**	**117,543,620**	**12,761,893**	**-**	**576,516,029**
Total Trade Payables	**1,233,188,535**	**117,562,492**	**12,761,893**	**13,500**	**1,363,526,419**
% of Total	**90%**	**9%**	**1%**	**0%**	**100%**

Source: *Nyandarua County Treasury*

Table 3.404 shows that the close to 100 per cent of the Executive pending bills are less than 2 years old with majority being development payables.

Table 3.405: Nyandarua County Assembly Trade Payable Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables		**46,069**			**46,069**
Recurrent Trade Payables (Goods & Services)	19,174,747	14,217,110	1,314,360	56,537,430	91,243,647
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	61,528,175				61,528,175
Recurrent Trade Payables (Staff Claims)		15,819,053			15,819,053
Total Recurrent Trade Payables	**80,702,922**	**30,036,163**	**1,314,360**	**56,537,430**	**168,590,875**
Total Trade Payables	**80,702,922**	**30,082,232**	**1,314,360**	**56,537,430**	**168,636,944**
% of Total	**48%**	**18%**	**1%**	**34%**	**100%**

Source: *Nyandarua County Assembly*

Table 3.405, shows that 66 per cent of the Assembly's payables are less than two years old with a bigger portion being recurrent payables.

3.35.8 Expenditure by Economic Classification

During the reporting period, the County Executive settled Kshs.223.72 million for compensation of employees, Kshs.7 million for operations and maintenance, and Kshs.78.02 million for development activities. Similarly, the County Assembly paid Kshs.30.74 million on compensation of employees. The assembly did not report any expenditure on operations and maintenance and development as shown in Table 3.406.

Table 3.406: Nyandarua County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Approved Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,035,517,602**	**798,345,693**	**230,724,420**	**30,737,293**	**5**	**4**
Compensation of Employees	2,624,209,473	457,047,988	223,724,420	30,737,293	9	7
Operations and Maintenance	2,411,308,129	341,297,705	7,000,000	-	0	0

Development Expenditure	3,469,611,941	123,000,000	78,019,732	-	2	0
Total	8,505,129,543	921,345,693	308,744,152	30,737,293	4	3

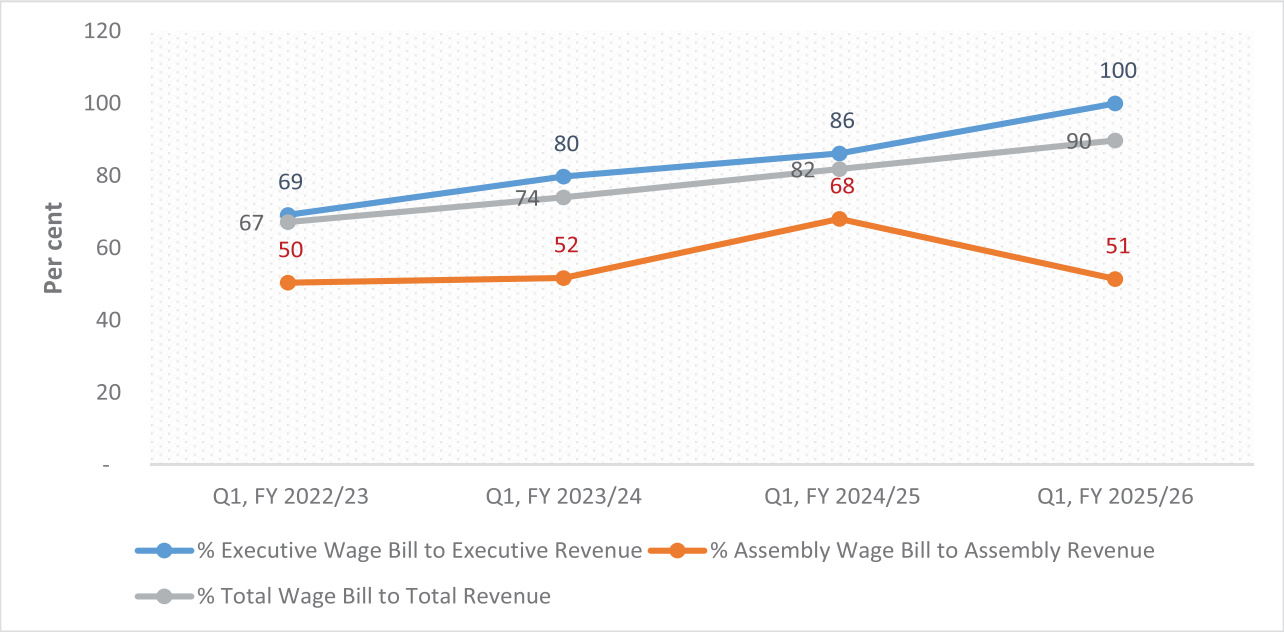
***Source**: Nyandarua County Treasury*

3.35.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.254.46 million. The compensation-to-revenue ratio was 18 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.317.94 million reported in a similar period in FY 2024/25. Of this total, Kshs.94.12 million related to the Health Sector employees, which accounted for 37 per cent of the overall employees' compensation.

Figure 205 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 205: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



***Source**: Nyandarua County Treasury*

Figure 205 Assembly apportioned 51 per cent of its total inflows in the first quarter of FY 2025/26 towards compensation of employees while the Executive apportioned 100 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period

Further analysis indicated that PE costs amounting to Kshs.229.13 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.25.33 million was processed through manual payroll, which accounted for 10 per cent of the total PE cost.

The manual payroll comprised salaries for staff not onboarded into the Human Resource Information System (HRIS), salaries for casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.18.

Table 3.407: Breakdown of Nyandarua County Manual Payroll

Category	County Executive (Kshs.)	County Assembly (Kshs.)	Total (Kshs.)
Top-up Allowances for security officers	1,750,065	180,000	1,930,065
LAPTRUST/LAPFUND Pension Contributions	6,582,617		6,582,617
Gratuity for contract staff	5,370,057.13	2,166,962	7,537,019.13

Category	County Executive (Kshs.)	County Assembly (Kshs.)	Total (Kshs.)
Community Health Workers	9,277,500		9,277,500
Employer AHL		2,700	2,700
Total	229,80,239.13	2,350,112	25,330,351.13

***Source**: Nyandarua County Treasury*

The County Assembly settled Kshs.2.69 million on committee sitting allowances for the 41 MCAs and the Speaker against the annual budget allocation of Kshs.36.85 million. The average monthly sitting allowance was Kshs.21,391 per MCA. The County Assembly has 17 House Committees.

3.35.10 Expenditure on Operations and Maintenance

During the reporting period, the County settled Kshs.7 million on operations and maintenance, representing a decrease of 88 per cent compared to FY 2024/25, when the County spent Kshs.59.28 million.

The only operations and maintenance expenditure the County incurred during the reporting period was Kshs.7 million on fuel and lubricants under the Office of the County Secretary.

3.35.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.284.81 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Further, the County allocated Kshs.40 million to the Emergency Fund (0.4 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.408 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.408: Performance of Nyandarua County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds				
1.	Nyandarua County Emergency Fund	2016	40,000,000	-	-	No
2.	Nyandarua County Bursary Fund	2016	144,811,420			No
3.	Nyandarua County Executive mortgage fund	2019	60,000,000			No
		County Assembly Established Funds				
5.	Nyandarua County Assembly Staff Car & Mortgage		40,000,000	-		No
	Total		**284,811,420**			

Source: *Nyandarua County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from the Fund Administrators, as indicated in Table 3.408, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2024/25, the CoB established that the lifespan of the funds were within the 10-year limit.

3.35.12 County Corporations

The County has not established any corporation.

3.35.13 Expenditure on Domestic and Foreign Travel

The County did not report any expenditure on domestic and foreign travel during the period under review

3.35.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.73.54million as FIF, which was 24 per cent of the annual target of Kshs.300 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.25.47 million, as shown in Table 3.409.

Table 3.409: Nyandarua County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 1 Hospitals	2	209,370,922	25,471,775	12%
2.	Level 2 &3 hospitals	87	323,860,000	0	0
	Total	**89**	**533,230,922**	**25,471,775**	5

Source: *Nyandarua County Treasury*

3.35.15 Development Expenditure

In the review period, the County reported spending Kshs.78.02 million on development programmes, representing an increase compared to a similar period in FY 2024/25, when the County did not incur any development expenditure.

The County did not provide a list of development projects funded by the RMLF of Kshs.78.02 million received in the first quarter of FY 2025/26.

The County did not report any stalled development projects as of 30th September 2025.

3.35.16 Budget Performance by Department

Table 3.410 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.410: Nyandarua County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.)		Exchequer Issues (Kshs.)		Expenditure (Kshs.)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	125.00	-					-	-	-	-
Office of the County Secretary	113.75	-					-	-	-	-
County Public Service Board	28.00	-					-	-	-	-
Public Service Administration & Devolution	2,759.00	352.50	214.45		214.45		100	-	8	-
Office of County Attorney	39.60						-	-	-	-
Finance, Economic Planning & ICT	483.20	272.92					-	-	-	-
Agriculture, Livestock & Fisheries	105.61	506.62					-	-	-	-
Health Services	582.95	182.27	9.28		9.28		100	-	2	-
Education, Children, Gender Affairs, Culture & Social Services	298.29	111.77					-	-	-	-

Department	Budget Allocation (Kshs.)		Exchequer Issues (Kshs.)		Expenditure (Kshs.)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Tourism, Cooperatives Development, Trade & Industrialization	55.49	43.50					-	-	-	-
Public Works, Roads, Transport, Housing & Energy	103.52	1,392.05		78.02		78.02	-	100	-	6
Lands, Housing & Physical Planning	72.09	88.55					-	-	-	-
Water, Environment, Climate Change & Natural Resources	56.25	502.12					-	-	-	-
Youth Empowerment, Sports & Arts	106.22	13.10					-	-	-	-
Ol Kalou Municipality	36.00	4.20					-	-	-	-
Mairo Inya Municipality	36.35	-					-	-	-	-
Engineer Municipality	34.20	-					-	-	-	-
County Assembly	798.35	123.00	59.71		30.74		51	-	4	-
Total	**5,833.86**	**3,592.61**	**283.44**	**78.02**	**254.46**	**78.02**	90	100	4	2

***Source**: Nyandarua County Treasury*

Analysis of expenditure by departments shows that the Department of Public Works, Roads & Transport recorded the highest absorption rate of development budget at 6 per cent. The Department of Public Administration had the highest percentage of recurrent expenditure to budget at 8 per cent

3.35.17 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: fleet management in the Office of the County Secretary at 11 per cent, preventive and Promotive services in the Department of Health at 8 per cent, and County Assembly services at 4 per cent of the budget allocation.

3.35.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 135 accounts in commercial banks, including 84 accounts for Health Facilities, 30 accounts for Vocational Training Centres, 7 accounts for Established Funds, 11 special purpose accounts (additional allocations), and 3 accounts for the Municipalities

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening of the commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.35.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 29th October 2025
ii. The underperformance of own-source revenue at Kshs.118.28 million against an annual target of Kshs.975 million, representing 12 per cent of the financial year target which is below the expected 25 per cent.
iii. Low development performance in the review period as the County paid Kshs.78.02 million on development activities, achieving a 2 per cent absorption rate.
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Bursary Fund, Emergency Fund, Mortgage Fund for the Executive and Staff Mortgage Fund for the County Assembly were not submitted to the CoB as of 15 July 2025.
v. High level of trade payables, which amounted to Kshs.1.36 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vi. The County reported revenue arrears of Kshs.623.96 million, comprising additional allocation arrears of Kshs.57.98 million, ordinary OSR arrears of Kshs.487.98 million, FIF arrears of Kshs.78 million. These revenue arrears limited funding for County activities

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
v. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the trade payables Action Plan should be enforced.*
vi. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.36. County Government of Nyeri

3.36.1 Overview of FY 2025/26 Budget

The Nyeri County Approved Budget for FY 2025/26 is Kshs.8.52 billion. It comprises Kshs.2.69 billion (32 per cent) and Kshs.5.83 billion (68 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.235.15 million (3 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.89 billion and a recurrent budget of Kshs.5.86 billion. The decrease in the budget was primarily attributed to the decline in additional allocations.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.6.52 billion (77 per cent), additional allocations of Kshs.1.2 billion (14 per cent) and Kshs.800 million (9 per cent) received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.446.

3.36.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.38 billion in revenue. This amount represented an increase of 5 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.32 billion. The total revenue consisted of Kshs.1.11 billion from the equitable share of revenue raised nationally, as well as additional allocations from the national government and development partners, in the amount of Kshs.10.26 million, as well as the own-source revenue (OSR) collection of Kshs.263.19 million. Additionally, the County had a cash balance at CRF of Kshs.5.19 million. The total OSR collection of Kshs.263.18 million

included Facilities Improvement Financing (FIF) of Kshs.127.78 million, and Kshs.135.41 million from other OSR sources. Table 3.446 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.411: Nyeri County, Revenue Performance in the First Quarter of FY 2025/26

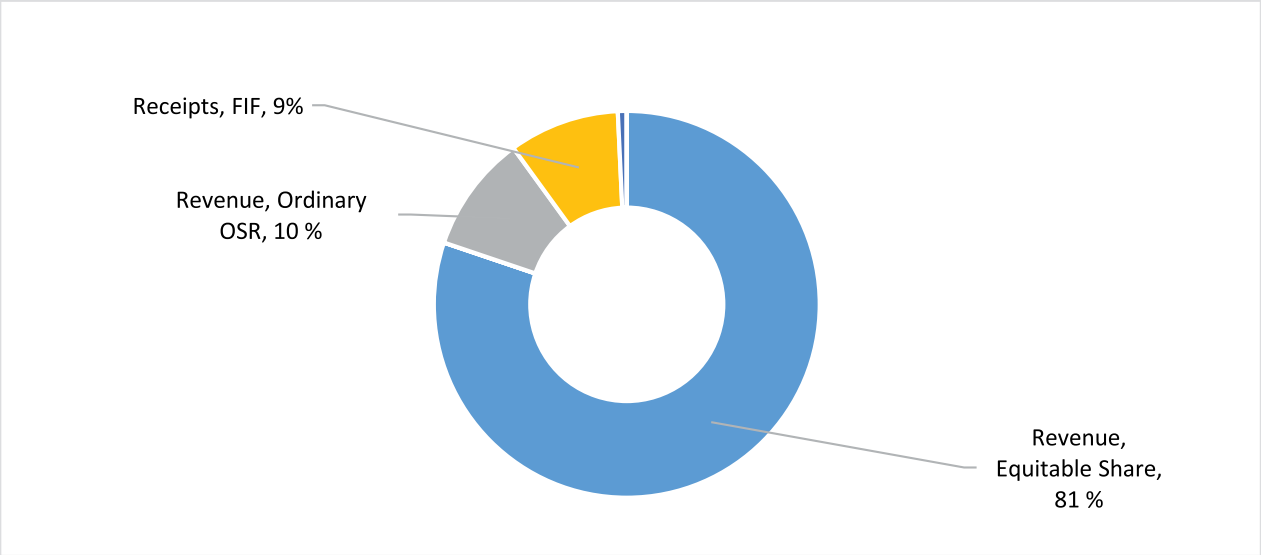
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	6,518,609,255	1,105,772,433	17
Subtotal				-
B	**Equalisation Fund Disbursement**	**0**	**0**	-
Subtotal				-
C	**Additional Allocations**			
1	Kenya Informal Settlement Programme (KISIP II)	37,500,000	0	-
2	Kenya Informal Settlement Programme (KISIP II)	352,500,000	0	-
3	The Danish International Development Agency (DANIDA)	8,721,000	0	-
4	Aggregated Industrial Park Programme(CAIP)	250,000,000	0	-
5	IDA (World Bank) Credit - National Agricultural Value Chain Development Programme (NAVC-DP)	231,250,000	0	-
6	Aquaculture Business Development Programme (ABDP)	16,769,367	-	-
7	Kenya Urban Support Programme UIG	35,000,000	-	-
8	IDA (World Bank) Credit - (Financing Locally-Led Climate Action (FLLoCA) program - County Climate Institutional Support (CCIS) Grants	136,000,000	10,263,053	8
9	Community Health Promoters	74,250,000	-	-
10	Court Fines	76,000	-	-
11	Doctors Salaries Receivables	55,172,326	-	-
Subtotal		**1,197,238,693**	**10,263,053**	1
D	**Ordinary Own Source Revenue (OSR)**			
1	Liquor Licence	70,000,000	23,999,515	34
2	Agricultural Mechanisation Station	1,500,000	144,940	10
3	Wambugu Agricultural Training Centre	8,000,000	1,157,143	14
4	Slaughter House Inspection Fees	9,600,000	1,359,730	14
5	Coffee Permit	400,000	195,500	49
6	Market Entrance/ Stalls/ Shop Rents	52,000,000	10,032,784	19
7	Weights and Measures	6,000,000	575,139	10
8	Co-operatives Audit	2,500,000	236,600	9
9	Public Health	18,000,000	2,193,100	12
10	Burial Fees	100,000	20,700	21
11	Business Permits	130,000,000	9,760,277	8
12	Commission 3%/Agency Fee (Fees from KHC, Insurance Firms, e.t.c.)	5,000,000	1,354,488	27
13	Ambulant Hawkers Licence	700,000	109,200	16
14	Miscellaneous	200,000	310	0.2
15	Document Search Fee/ Duplicate Revenue	200,000	79,500	40
16	Impounding Charges/Court Fines, Penalties and Forfeitures	5,000,000	588,605	12
17	Application Fee	9,400,000	734,490	8
18	Parking Clamping/Penalties/ Offences Fees	2,000,000	60,500	3
19	Right-of-Way / Way-Leave Fee (KPLN, Telkon, etc.)	7,000,000	1,039,563	15
20	Cess (Quarry, Produce, Kaolin, etc.)	45,000,000	10,377,429	23
21	Street Parking Fees	48,000,000	7,678,182	16
22	Enclosed Bus Park	90,000,000	21,338,752	24
23	Fire Fighting Services	18,000,000	1,365,400	8
24	Land Rates/ Other Property Charges	70,000,000	7,963,785	11

25	Ground Rent - Current Year	5,200,000	1,259,596	24
26	Ground Rent - Other Years	2,000,000	716,651	36
27	Plot Transfer Fees/ Business Subletting/Transfer Fee	1,200,000	210,000	18
28	Housing Estates Monthly Rent	30,000,000	5,447,350	18
29	Approvals	23,000,000	5,819,534	25
30	Sign Boards & Advertisement Fee	44,500,000	4,132,970	9
31	Buildings Plan Approval Fee/ Buildings Inspection Fees	32,000,000	6,637,651	21
32	Consent to charge Fee/ Property Certification Fee (Use as Collateral)	1,500,000	284,100	19
33	Sale of Council's Minutes / Bylaws	600,000	122,000	20
34	Debts Clearance Certificate Fee	1,600,000	510,500	32
35	Hire of Grounds (Kamukunji, Whispers Park)/ Social Hall Hire	2,000,000	1,355,853	68
36	Library Services	1,500,000	218,871	15
37	Stadium Hire (Ruringu, Karatina, etc.)	200,000	72,000	36
38	Food Ration (KRT) Nursery School	400,000	75,000	19
39	Food Ration (Kingongo) Nursery School	300,000	56,400	19
40	Food Ration (Nyakinyua) Nursery School	400,000	37,000	9
41	Public Toilets/Use of public toilets	100,000	15,250	15
42	Refuse Collection Fee	50,000,000	5,802,420	12
43	Noise Regulation/Pollution	1,710,000	268,000	16
Subtotal		**800,000,000**	**135,406,778**	17
E	**Facility Improvement Fund (FIF)**			
1	County Referral Hospital	358,446,215	60,507,436	17
2	Karatina	164,956,676	17,195,340	10
3	Mukurweini	101,659,294	10,572,862	10
4	Othaya	48,151,419	3,287,838	7
5	Mt. Kenya	43,990,046	1,254,733	3
6	Naromoru	48,398,589	8,747,913	18
7	Ihururu Rehab Centre	27,809,653	2,301,065	8
8	Level 2 and 3	56,588,108	23,911,592	42
9	Other FIF Sources			-
10	Public Health Services			-
Subtotal		**850,000,000**	**127,778,778**	15
F	**Other AIAs**			
Subtotal				-
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF			-
2	County Executive Refunds to CRF		5,068,702	-
3	County Assembly Refunds to CRF	-	118,766	-
Subtotal			**5,187,468**	-
				-
H	**Other Sources of Revenue**			
Sub-Total				-
Grand Total		**8,515,847,948**	**1,384,408,510**	

***Source: Nyeri** County Treasury*

The County has a governing legislation on the operation of ordinary A-I-A and FIF. Figure 206 provides a detailed breakdown of Revenue, showing a breakdown of each shilling .received.

Figure 206: Nyeri County Composition of Each Shilling Received in the First Quarter of FY 2025/26

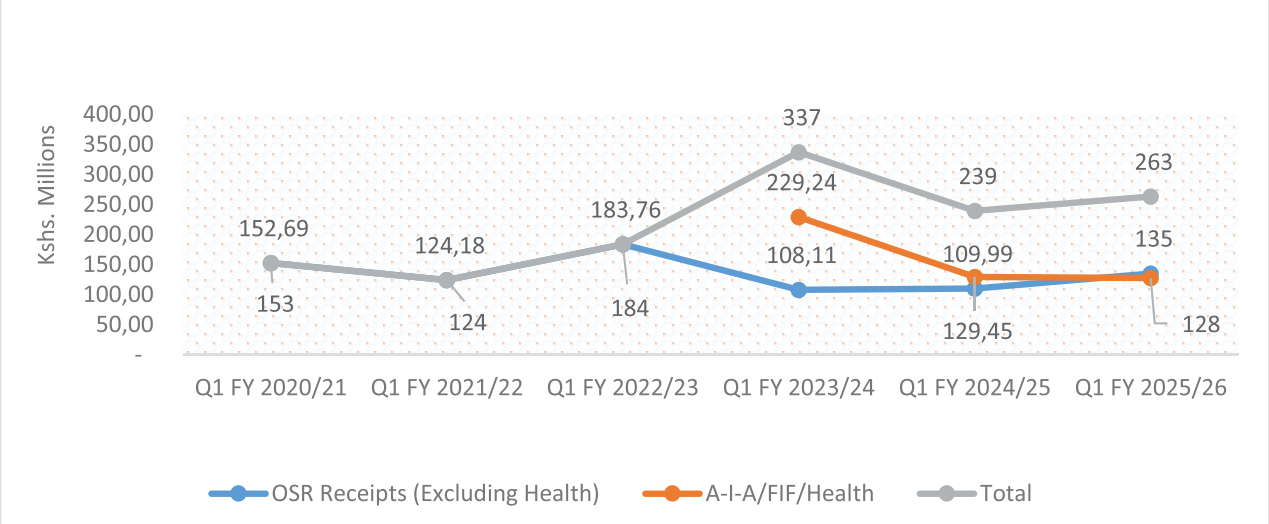


***Source: Nyeri** County Treasury*

The equitable share of revenue raised nationally and OSR contributed 80 and 19 per cent respectively of the total Revenue for the reporting period.

Figure 207 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 207: Nyeri County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

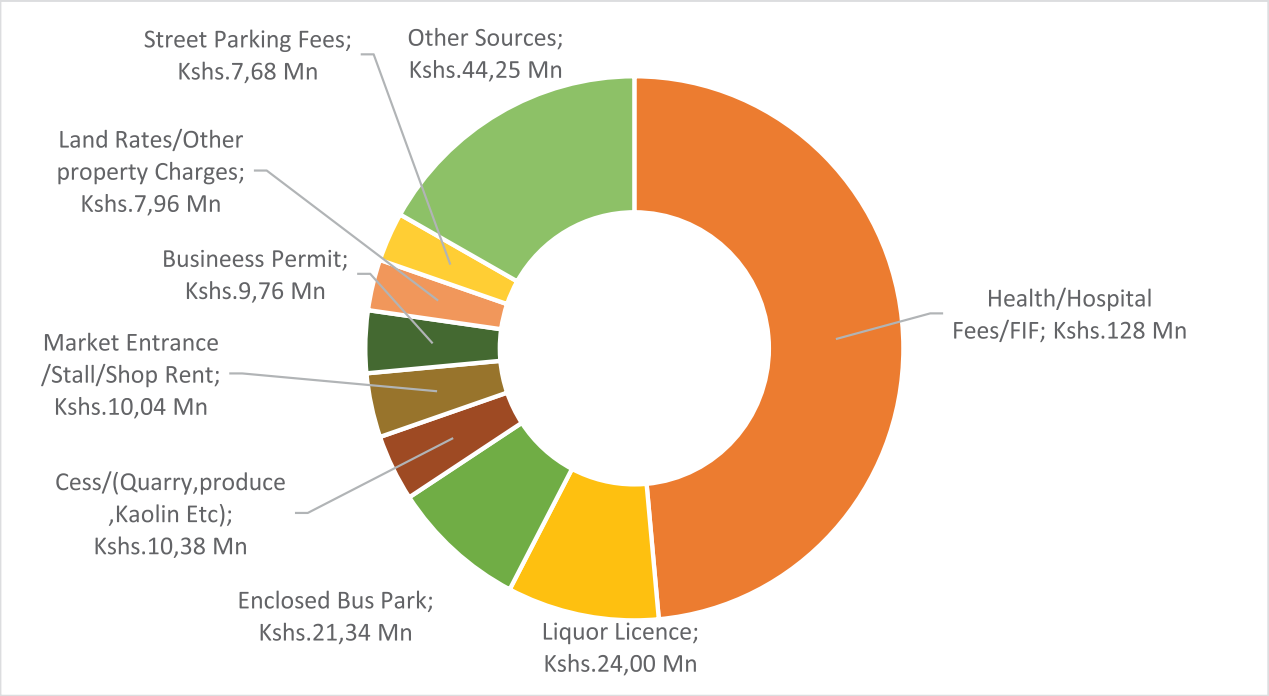


***Source: Nyeri** County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.263.19 million from its revenue sources, including FIF. This amount was an increase of 10 per cent compared to Kshs.239.44 million realised in a similar period in FY 2024/25, representing 16 per cent of the annual target and 24 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR Revenue are shown in Figure 208.

Figure 208: Nyeri County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Nyeri County Treasury

As shown in Figure 208, the highest revenue stream, at Kshs.128 million, was from Health/Hospital fees/FIF, accounting for 49 per cent of the total OSR Revenue. The County Government indicated that it has automated 20 out of 55 revenue streams.

3.36.3 Receivables/ Revenue Arrears

As of 1st July 2025, the County reported Receivables of Kshs.1.12 Billion, this amount increased to Kshs.1.29 Billion as of 30th September 2025. Table 3.447 presents a breakdown of the County's Receivables.

Table 3.412: Nyeri County ReceivablesReceivables as of 30 September 2025

No	Revenue Stream	Arrears of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 June 2025 (Kshs.)
			Waivers (Kshs)	Arrears recieved in the financial year (Kshs)	Receivables earned in FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	Ordinary Own Sources of Revenue	660,992,159	17,030,584	2,204,984	12,772,798	654,529,389
B	Facility Improvement Fund (FIF)	456,177,778	21,174,991		198,549,132	633,551,919
Total		**1,117,169,937**	**38,205,575**	**2,204,984**	**211,321,930**	**1,288,081,308**

Source: Nyeri *County Treasury*

As of 30 September 2025, the Receivables total Kshs.1.29 billion, comprising Kshs.654.53 for ordinary own source revenue (51 per cent) and Kshs.633.55 for the Facility Improvement Fund(FIF). The measures instituted by the County to collect the outstanding Receivables in FY 2025/26 include constant follow-up to collect the outstanding Receivables.

3.36.4 Borrowing by the County

The County did not borrow any funds during the reporting period.

3.36.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.21 billion from the CRF account during the reporting period, which comprised Kshs.10.26 million (1 per cent) for development programmes and Kshs.1.2 billion

(99 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.09 billion was towards employee compensation and Kshs.101.03 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 69 per cent was allocated for domestic travel and less than 1 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.70.15 million and included Kshs.26.7 million for the County Executive and Kshs.43.45 million for the County Assembly. The foreign exchequer totalled Kshs.88,200 for the County Executive .

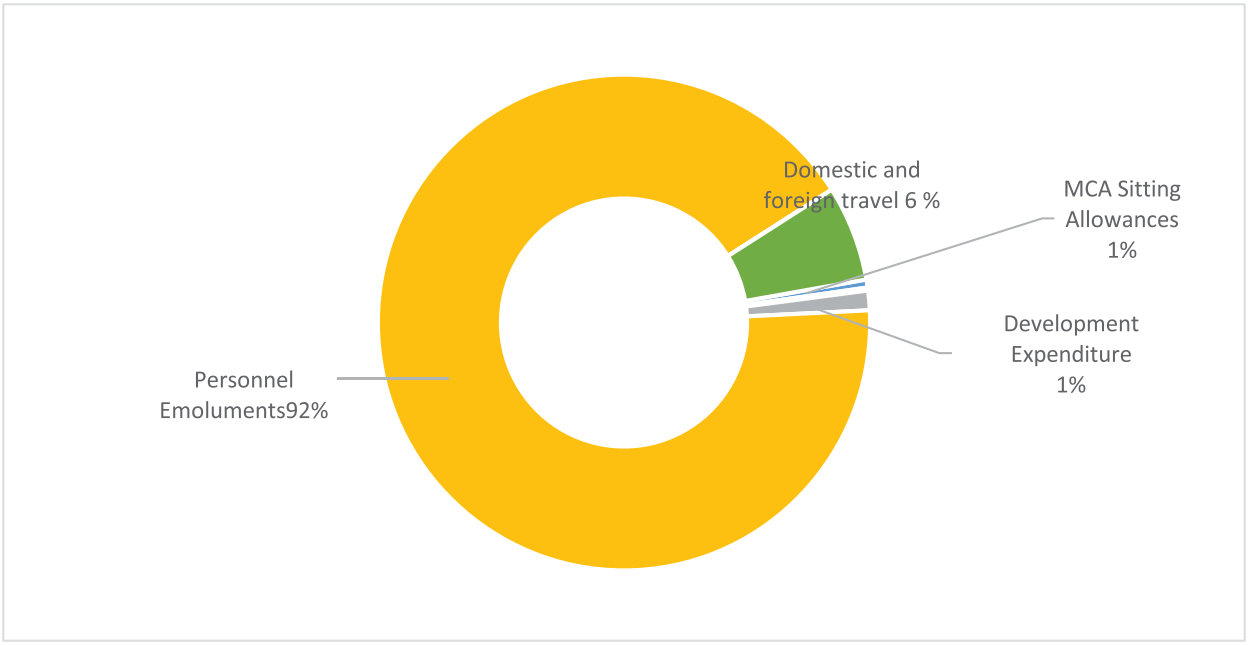
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.731.92 million.

3.36.6 Expenditure Review

The County spent Kshs.1.17 Billion on development and recurrent programmes in the reporting period. The expenditure represented 98 per cent of the total funds released by the CoB. It comprised Kshs.14.4 million for development programmes and Kshs.1.16 billion for recurrent programmes. Expenditure on development programmes represented an absorption rate of less than 1 per cent, while recurrent expenditure accounted for 19.8 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 209: Nyeri County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Nyeri *County Treasury*

As shown in Figure 209, the three highest expenditure categories were Personnel Emoluments, Domestic and Foreign Travel and Development, which contributed 92 per cent, 6 per cent, and 1 per cent of the total expenditure for the reporting period.

3.36.7 Settlement of Trade Payables

As of July 1, 2025, the County reported Trade payables totalling Kshs.356.63 million. This amount included Kshs.342.36 million from the County Executive and Kshs.14.27 million from the County Assembly. The Trade payables from the County Executive consisted of Kshs 322.46 million for recurrent expenditures and Kshs 19.90 million for development expenditures.

During the reporting period, the County Executive did not settle any Trade payables. On the other hand, the County Assembly settled Trade payables worth Kshs.14.27 million for recurrent activities. As of September 30, 2025, the outstanding Trade payables were Kshs.342.36 million for the County Executive. Table 3.448 provides additional details of Trade payables.

Table 3.413: Nyeri County Trade payables as of 30th September 2025

	County Entity	Development	Recurrent	Total
As at 1 July 2025 (End of FY 2024/25)	County Executive	19,900,149	322,459,478	342,359,627
	County Assembly		14,270,100	14,270,100
	Total	19,900,149	336,729,578	356,629,727
Amount paid in FY 2025/26	County Executive			-
	County Assembly	-	14,270,100	14,270,100
	Total	-	14,270,100	14,270,100
Outstanding Trade payables as of 30 September 2025 (Kshs.)	County Executive	19,900,149	322,459,478	342,359,627
	County Assembly	-	-	-
	Total	19,900,149	322,459,478	342,359,627

Source: *Nyeri County Treasury*

The County Executive and the Assembly submitted a Trade payables payment plan, committing to pay Kshs.14.27 million and Kshs.324.36 million, respectively, in FY 2025/26. The County Assembly adhered to this payment plan, as it cleared Kshs.14.27 million, while the County Executive did not adhere to it.

Table 3.449 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.342.36 million

Table 3.414: Nyeri County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade payables	13,198,418	6,701,731			19,900,149
Recurrent Trade payables (Goods & Services)	147,768,423	60,718,693	1,429,950	2,058,563	211,975,629
Recurrent Trade payables (Salary Receivables and Statutory Deductions)	862,539	26,879		71,372,275	72,261,693
Recurrent Trade payables (Staff Claims)	24,676,079	4,252,747	3,509,880	5,783,450	38,222,156
Total Recurrent Trade payables	173,307,041	64,998,319	4,939,830	79,214,288	322,459,478
Total Trade payables	186,505,459	71,700,050	4,939,830	79,214,288	342,359,627
% of Total	**54**	**21**	**1**	**23**	**100**

Source: *Nyeri County Treasury*

Table 3.449 shows that 24 per cent of the Executive's payables are older than two years old. We urge them to use FIFO in settling their liabilities.

3.36.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.976.56 million for compensation of employees, Kshs.60.62 million for operations and maintenance, and Kshs.14.4 million for development activities. Similarly, the County Assembly spent Kshs.59.84 million on compensation of employees, Kshs.59.09 million on operations and maintenance, and none on development activities, as shown in Table 3.450.

Table 3.415: Nyeri County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure						
Compensation of Employees	4,147,204,630	259,872,014	976,561,320	59,837,410	24	23
Operations and Maintenance	971,887,829	450,679,500	60,615,217	59,086,530	6	13
Development Expenditure	**2,656,213,975**	**30,000,000**	**14,397,435**	**-**	**0.5**	**0.0**

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total	**7,775,306,434**	**740,551,514**	**1,051,573,972**	**118,923,940**	**13.5**	**16.1**

***Source**: Nyeri County Treasury*

3.36.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.04 billion. The percentage of compensation of employees to revenue was 86 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.1.03 billion reported in a similar period in FY 2024/25. Of this total, Kshs.429.32 million was related to Health Sector employees, which accounted for 41 per cent of the overall employees' compensation.

Figure 210 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 210: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

Source: Nyeri County Treasury

As shown in Figure 210 the Executive's wage bill decreased from 81 per cent in the first quarter of FY 2020/21 to 43 per cent in FY 2021/22, then rose sharply to 90 per cent by FY 2023/24 and stabilised around 80 per cent in FY 2025/26. Conversely, the Assembly's wage bill fell from 72 per cent in FY 2020/21 to 18 per cent in FY 2023/24, before increasing again to 93 per cent in FY 2025/26.

These trends show varying compensation pressures, with both the Executive and Assembly facing alternating periods of relief and strain. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, indicating a prioritisation of employee compensation over other expenditures.

Further analysis indicated that PE costs amount to Kshs.1.08 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.109.65 million was processed through manual payroll, which accounted for 1 per cent of the total PE cost.

The manual payroll comprised salaries for 152 staff not onboarded into the Human Resource Information System (HRIS), salaries for 57 casual staff, top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.451.

Table 3.416: Breakdown of Nyeri County Manual Payroll

Sno.	Category	County Executive	County Assembly	Total
1	Salaries for staff paid outside the Human Resource Information System (HRIS)	375,510	1,864,419.00	2,239,929
2	Salaries for casual staff	42,267		42,267
3	Top-up Allowances for security officers	945,000	640,080.00	1,585,080
4	LAPTRUST/LAPFUND Pension Contributions	51,186,450	925,143.00	52,111,593
5	Gratuity for contract staff	33,992,878	1,296,204.00	35,289,082
7	Community Health Workers	18,380,000		18,380,000
	Total	**104,922,105**	**4,725,846.00**	**109,647,951**

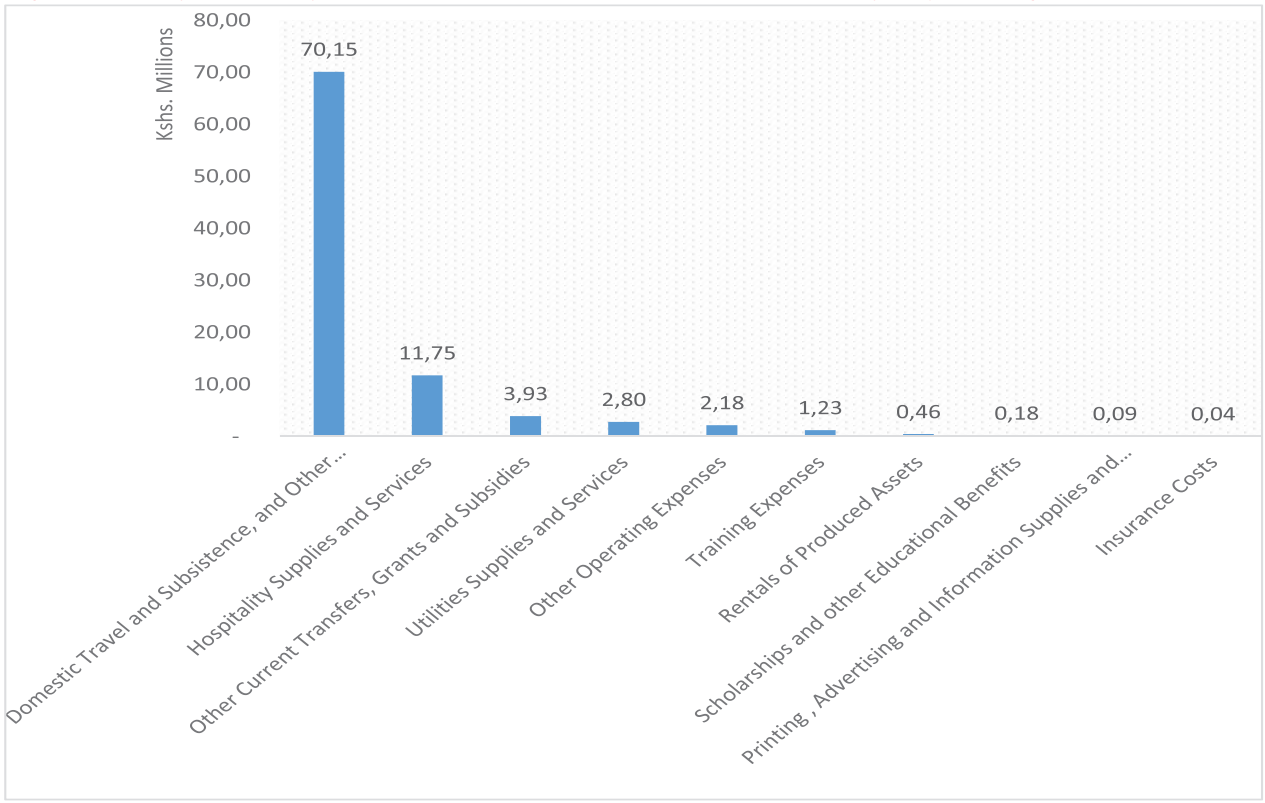
Source: Nyeri County Treasury

The County Assembly spent Kshs.5.86 million on committee sitting allowances for the 43 MCAs against the annual budget allocation of Kshs.18 million. The average monthly sitting allowance was Kshs.45,388 per MCA. The County Assembly has 24 House Committees.

3.36.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.119.7 million on operations and maintenance, representing a decrease of 3 per cent compared to FY 2024/25, when the County spent Kshs.122.92 million. Figure 211 summarises the Operations and Maintenance expenditure by major categories.

Figure 211: Nyeri County, Operations and Maintenance Expenditure by Major Categories



Source: *Nyeri County Treasury*

3.36.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.2.18 million under "other Operating expenses" translates to 2 per cent of the cumulative operations and maintenance expenditure of Kshs.119.70 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.452.

Table 3.417: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211305	Contracted Guards and Cleaning Services	18,180,920.00	139500
2211395	Membership fees, Dues, and Subscriptional and Trade Bodies	9,099,291.00	125000
2211399	office expense july august 2025 edarasha ward	95,890.00	95,890.00
2211399	office expense august 2025 gakawa ward	48,000.00	48,000.00
2211399	office expense august 2025 Ruare Ward	48,000.00	48,000.00
2211399	office expense July 2025 Ruare Ward	47,760.00	47,760.00
2211399	office expense july august 2025 nominated member	96,000.00	96,000.00
2211399	Office Expense July-August 2025 Mugunda Ward	95,820.00	95,820.00
2211399	office expense august july 2025 nominated member	95,920.00	95,920.00
2211399	office expense july august 2025 nominated member	95,860.00	95,860.00
2211399	office expense july august 2025 nominated member	96,000.00	96,000.00
2211399	office expense july 2025 kiganjo ward	48,000.00	48,000.00
2211399	office expense july 2025 kiamathaga ward	48,000.00	48,000.00
2211399	office expense july 2025 konyu ward	47,980.00	47,980.00
2211399	office expense July 2025 nominated member	48,000.00	48,000.00
2211399	office expense july 2025 nominated member	48,000.00	48,000.00
2211399	office expense july 2025 ruguru ward	48,000.00	48,000.00
2211399	office expense july 2025 nominated member	48,000.00	48,000.00
2211399	office expense july 2025 nominated member	48,000.00	48,000.00
2211399	office expense july 2025 gatarakwa ward	48,000.00	48,000.00
2211399	office expense july 2025 nominated member	48,000.00	48,000.00
2211399	office expense august 2025 gatarakwa ward	47,970.00	47,970.00
2211399	office expense july august 2025 chinga ward	95,670.00	95,670.00
2211399	office expense july august 2025 nominated member	96,000.00	96,000.00
2211399	office expense august 2025 konyu ward	48,000.00	48,000.00
2211399	office expense july 2025 karima ward	48,000.00	48,000.00
2211399	Office expense July to Sep 2025 Kabaru Ward	144,000.00	144,000.00
2211399	Office expense, aug 2025, nominated member	48,000.00	48,000.00
2211399	Office expense July and August 2025, Mahiga Ward	95,770.00	95,770.00
2211399	Office expense, jul and August 2025, nominated member	96,000.00	96,000.00
	Total	**29,198,851.00**	2,183,140.00

Source: *Nyeri County Treasury*

3.36.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.100 million to County-established funds in FY 2025/26, or 1 per cent of the County's overall budget. Further, the County did not allocate any funds to the Emergency Fund contrary to Section 110 of the PFM Act, 2012. Table 3.453 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.418: Performance of Nyeri County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Approved Budget Allocation in FY 2025/26(Kshs.)	Exchequer Issues (Kshs.)	Actual Expenditure (Kshs.)	Cumulative disbursements to the fund as of 30th September 2025 (Kshs)	Submission of Financial Statements as of 30th September 2025 (Yes/No).
	County Executive Established Funds					
1.	Elimu Fund	100,000,000	0	0	342,000,000.00	No
2.	Emergency Fund	Nil	0	0	20,000,000.00	No
3.	Health Fund	Nil	0	0	141,701,379.00	No
4	Enterprise Development Fund	Nil	0	0	40,000,000.00	No
5	Car Mortgage Fund (Executive)	Nil	0	0	100,000,000.00	No
	County Assembly Established Funds					
7	Car & Mortgage Fund (Assembly Members)	Nil	0	0	184,000,000.00	No
8	Car Mortgage Fund (Assembly Staff)	Nil	0	0	122,393,125.00	No
	Total	**100,000,000.00**			**850,094,504.00**	

Source: *Nyeri County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from Established Funds. During the review period, the CoB determined that the Elimu Fund, established in 2025, had already lapsed.

3.36.13 County Corporations

The County Corporations are autonomous, thus did not receive allocations from the mainstream budget.

3.36.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.70.15 million and comprised Kshs.43.45 million spent by the County Assembly and Kshs.26.7 million by the County Executive. There was no foreign travel for either the County Executive or the County Assembly during the period under review.

3.36.15 Facility Improvement Financing

During the review period, the County reported recognized of Kshs.127.78 million as FIF, which was 15 per cent of the annual target of Kshs.850 million. The recognized amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by health facilities amounted to Kshs 127.78 million, as shown in Table 3.454.

Table 3.419: Nyeri County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1	County Referral Hospital	1	358,446,215	60,507,436	17
2	Karatina	1	164,956,676	17,195,340	10
3	Mukurweini	1	101,659,294	10,572,862	10
4	Othaya	1	48,151,419	3,287,838	7
5	Mt. Kenya	1	43,990,046	1,254,733	3
6	Naromoru	1	48,398,589	8,747,913	18

7	Ihururu Rehab Centre	1	27,809,653	2,301,065	8
8	Level 2 and 3		56,588,108	23,911,592	42
	Total		850,000,000	127,778,778	

Source: *Nyeri County Treasury*

3.36.16 Development Expenditure

During the review period, the County reported incurring Kshs.14.4 million on development programmes, compared to FY 2024/25, when the County incurredKshs.448,600.

Table 3.455 summarises the development projects with the highest expenditure in the reporting period.

Table 3.420: Nyeri County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	Donor Funded Projects							
1	Education, Training and Devolution	Grant to support training in VTCs	Countywide	FY 2025/2026	15,000,000	10,209,835	10,209,835	68
2	Nyeri Municipality	KUSP II - Capacity Building	Countywide	FY 2025/2026	35,000,000	3,213,400	3,213,400	9
3	Water, Environment, and Climate Change	Conditional grant for climate change programme	Countywide	FY 2025/2026	11,000,000	974,200	974,200	9
Total					61,000,000	14,397,435	14,397,435	24

Source: *Nyeri County Treasury*

The County has not reported any stalled development projects to date

3.36.17 Budget Performance by Department

Table 3.456 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.421: Nyeri County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs)		Exchequer Issues by Q1 of FY 2025/26(Kshs)		Expenditure by Q1 of FY 2025/26 (Kshs)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Executive Office of the Governor and the Deputy Governor	117.29	27.00	31.93	-	29.73	-	93.12		25.35	0.00
Office of the County Secretary	381.35	3.50	30.05	-	31.46	-	104.69		8.25	0.00
Finance, Economic Planning and ICT	535.71	20.05	113.60	-	115.87	-	102.00		21.63	0.00
Lands, Physical Planning and Urban Development	81.47	17.50	21.49	-	22.86	-	106.38		28.06	0.00
Health Services and Public Health	2,627.93	286.50	499.69	-	444.44	-	88.94		16.91	0.00
Gender, Youth, Social Services and Sports	94.12	166.75	18.36	-	20.74	-	112.96		22.03	0.00
County Public Service and Solid Waste Management	150.16	44.80	38.30	-	40.03	-	104.52		26.66	0.00

Department	Budget Allocation (Kshs)		Exchequer Issues by Q1 of FY 2025/26(Kshs)		Expenditure by Q1 of FY 2025/26 (Kshs)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Aquaculture Development	239.20	360.37	112.97	-	113.69	-	100.64		47.53	0.00
Trade, Cooperatives, Culture and Tourism	57.60	361.50	18.41	-	18.42	-	100.04		31.97	0.00
Education, Training and Devolution	560.04	498.15	190.71	-	191.93	10.21	100.64		34.27	2.05
Water, Environment, and Climate Change	77.25	226.89	-	10.26	0.55	0.97		9.49	0.72	0.43
County Assembly	710.55	30.00	119.47	-	118.92	-	99.55		16.74	0.00
County Public Service Board	46.46	6.00	2.65	-	4.16	-	156.91		8.95	0.00
Roads, Transport, Public Works, Infrastructure and Energy	92.94	498.94	0.60	-	1.17	-	195.53		1.26	0.00
County Attorney	23.56	-	0.48	-	1.15	-	239.73		4.88	
Nyeri Municipality	33.99	138.28	1.18	-	0.98	3.21	83.60		2.89	2.32
	5,829.63	**2,686.21**	**1,199.88**	**10.26**	**1,156.10**	**14.40**	**96.35**	**140.28**	**19.83**	**0.54**

Source: *Nyeri County Treasury*

Analysis of expenditure by departments shows that the Department of Nyeri Municipality recorded the highest absorption rate of development budget at 2 per cent, followed by the Department of Education, Training and Devolution at 2 per cent. The Department of Agriculture, Livestock, and Aquaculture Development had the highest percentage of recurrent expenditure to budget at 47.53 per cent, while the Department of Water, Environment, and Climate Change had the lowest at less than one per cent.

3.36.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Youth Training and development in the Department of Education, Training and Devolution at 21 per cent, Donor Support Services in the Department of Nyeri Municipality at 9 per cent, and Donor Support Services in the Department of Water, Environment and Climate change at less than one per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Farm development and development of Agricultural land for crop production in the Department of Agriculture, Livestock, Aquaculture development at 50 cent respectively, Administrative and Planning Services in the Department Agriculture, Livestock, Aquaculture development at 48 per cent, Administrative support Services in the Department of Education, Training and Devolution at 38 per cent of the budget allocation.

3.36.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 32 accounts in commercial banks, including two accounts for Health Facilities, 11 accounts for Established Funds, three revenue accounts, 11 special-purpose accounts (additional allocations),

The County Treasury submitted copies of authorisation letters to the Controller of Budget for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.36.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 5th November 2025
ii. The underperformance of own-source revenue at Kshs.135.41 million against an annual target of Kshs.800 million, representing 17 per cent of the financial year target.
iii. Low development performance in the review period as the County incurred Kshs.14.4 million on development activities, achieving a 0.5 per cent absorption rate.
iv. The County reported revenue arrears of Kshs.1.29 billion comprising of ordinary OSR arrears of Kshs.654.53 million (51 per cent) and FIF arrears of Kshs.633.55 million (49 per cent). These revenue arrears limited funding for County activities

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.37. County Government of Samburu

3.37.1 Overview of FY 2025/26 Budget

The Samburu County Approved Budget for FY 2025/26 is Kshs.7.81 billion. It comprises Kshs.2.51 billion (32. per cent) and Kshs.5.30 billion (68 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.432 million (6 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.24 billion and a recurrent budget of Kshs.5.14 billion. The increase in the budget was primarily attributed to the rise in equitable share and own-source revenues.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.5.87 billion (75 per cent), additional allocations of Kshs.1.20 billion (15 per cent), a cash balance of Kshs.430 million (6 per cent) brought forward from FY 2024/25, and Kshs.302 million (4 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.422.

3.37.2 Revenue Performance

During the first Quarter of FY 2025/26, the County generated Kshs 1.34 billion in revenue. This amount represented an increase of 30 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.04 billion. The total revenue consisted of Kshs.1.10 billion from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.121.99 million. Additionally, the County had a cash balance of Kshs.118.70 million from FY 2024/25. The total OSR collection of Kshs.121.99 million included Facilities Improvement Financing (FIF) of Kshs.10.24 million, and Kshs.111.74 million from other OSR sources. Table 3.422 summarises the total revenue available to the County Government during FY 2025/26.

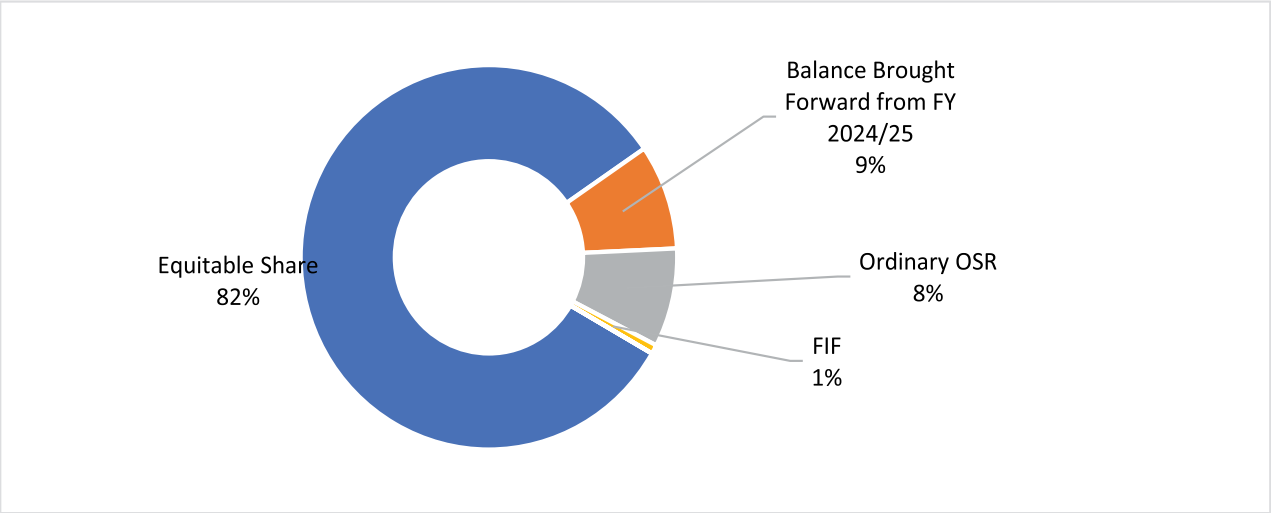
Table 3.422: Samburu County, Revenue Performance in FY 2025/26

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	5,878,283,920	1,103,630,440	19
	Subtotal	**5,878,283,920**	**1,103,630,440**	**19**
B	**Equalisation Fund Disbursement**			
	Subtotal			
C	**Additional Allocations**			
1	IDA (World Bank Credit- Second Kenya Devolution Support Program (Services Delivery Level 2)	352,500,000		
2	IDA (World Bank) Credit - Food Systems Resilience Project(FSRP)	246,000,000		
3	Finance Localy led Climate Action Program(FLLoCA)	170,000,000		
4	ELRP(Locust)	142,500,000		
5	Kenya Livestock Commercialisation Project (KELCLOP)	70,250,000		
1	IDA (World Bank Credit: Kenya Urban Support Project (KUSP)- Urban Development Grant (UDG)	70,000,000		
2	Community Health Promotors	47,106,940		
3	IDA (World Bank) Credit- Second Kenya Devolution Support Program (KDSP II)	37,500,000		
4	Kenya Urban Support Program (Grant)-UIG	35,000,000		
5	Conditional Grant for payment of outstanding Basic Salary Arrears for County Government Health Workers	25,615,979		
1	DANIDA (Health support funds) -Primary Health Care in Devolved Context (PHDC) Programme	7,446,000		
2	Mineral Royalties	17,501		
	Subtotal	1,203,936,420	0	-
D	**Ordinary Own Source Revenue (OSR)**			
1	Game Parks/Nature Reserves Fees	185,000,000	102,498,495	55
2	Hospital Charges	19,635,000	10,244,313	52
3	Total Cess Revenue	14,220,300	2,871,227	20
4	Land Rates	13,027,000	2,801,454	22
5	Single Business Permits	18,480,000	1,159,745	6
6	Markets and Slaughterhouse Fees	12,705,000	1,068,270	8
7	Environment and conservancy	15,600,000	922,466	6
9	Other Ordinary OSR	23,333,000	414,903	2
	Subtotal			
E	**Facility Improvement Fund (FIF)**			
1	SHIF	0	9,075,045	
3	Hospital Charges	19,635,000	1,169,268.00	6
	Subtotal	19,635,000	10,244,313.00	52
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	430,000,000	114,650,692	27
2	County Executive Refunds to CRF		24412.45	
3	County Assembly Refunds to CRF		4023195.65	
	Subtotal	430,000,000	118,698,301	28
Grand Total		**7,814,220,639.95**	**1,344,309,613.42**	**17**

***Source: Samburu** County Treasury*

An analysis of revenue sources indicated that the County has not enacted legislation to operationalise Ordinary A-I-A and FIF. Figure 212 provides a detailed breakdown of Revenue, showing the amount received for each shilling.

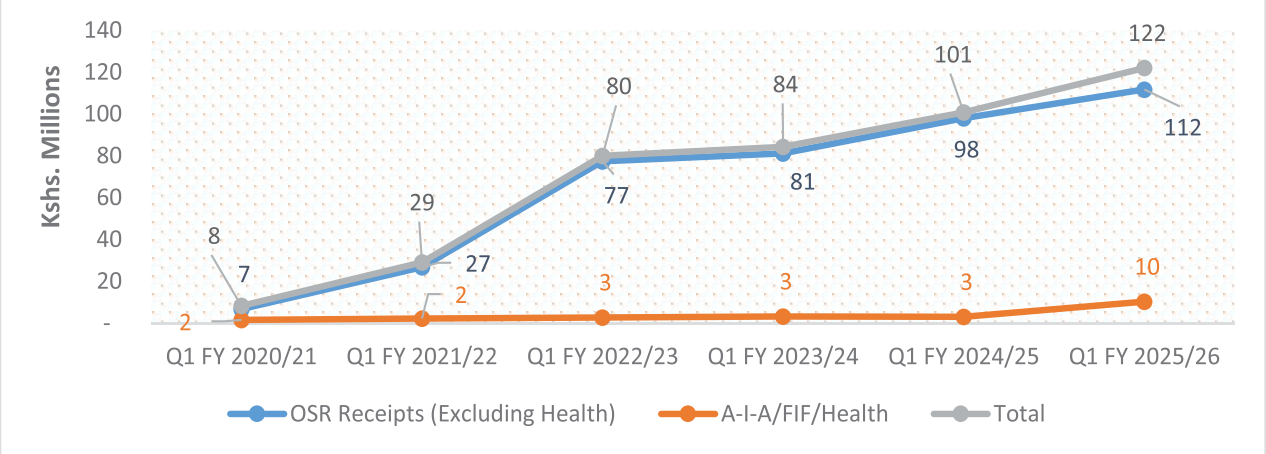
Figure 212: Samburu County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Samburu County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 82 per cent, 9 per cent and 8 per cent, respectively, of the total Revenue for the reporting period. Figure 213 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 213: Samburu County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

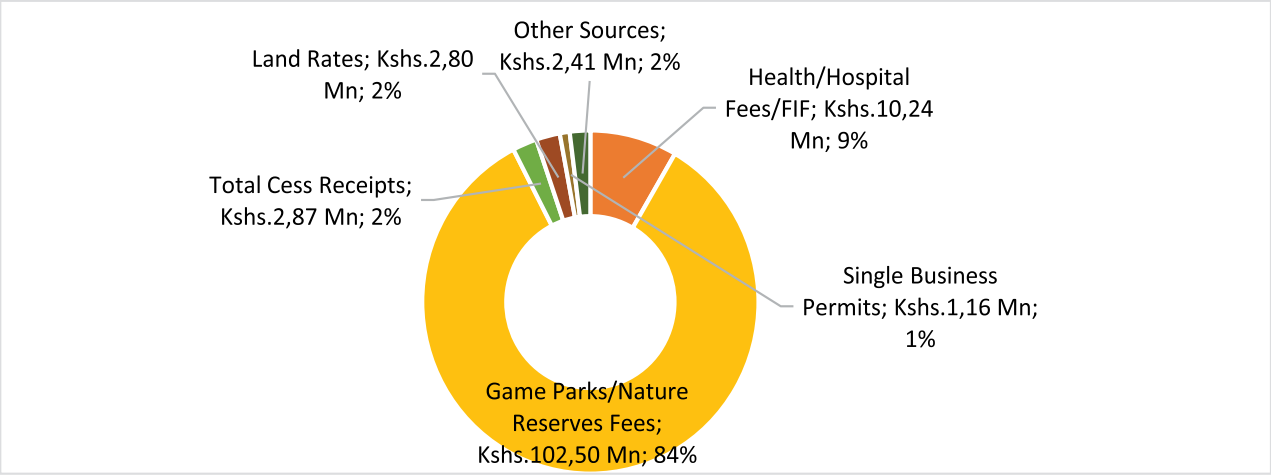


Source: *Samburu County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.121.98 million from its revenue sources, including FIF. This amount was an increase of 21 per cent compared to Kshs.100.86 million realised in a similar period in FY 2024/25, and was 40 per cent of the annual target.

The increase in OSR was attributed to growth in the tourism sector and to the implementation of the revenue system across the wider revenue streams. The revenue streams which contributed the highest OSR Revenue are shown in Figure 214.

Figure 214: Samburu County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Samburu County Treasury

As shown in Figure 214, the highest revenue stream, at Kshs.102.50 million, was from Game Park fees, accounting for 84 per cent of the total OSR Revenue. The County Government indicated that it has automated 16 of 19 revenue streams.

3.37.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.22.83 million, this amount did not vary during the period under review 30th September 2025. Table 3.423 presents a breakdown of the County's revenue arrears.

Table 3.423: Samburu County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
E	**Facility Improvement Fund (FIF)**					
1	SHIF	18,825,335		9,075,045		9,750,290
2	Defunct NHIF	4,000,000				4,000,000
	Sub-Total	22,825,335		9,075,045		13,750,290
Total		**22,825,335**		**9,075,045**		**13,750,290**

Source: *Samburu County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.13.75 million, comprising Kshs.9.75 million for SHIF (71 per cent) and Kshs 4 million for the defunct National Health Insurance fund. The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include issuing of constant reminders.

3.37.4 Borrowing by the County

During the period under review, the County did not borrow.

3.37.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.829.16 million from the CRF account during the reporting period, which comprised Kshs.41.09 million (5 per cent) for development programmes and Kshs.788.06 million (95 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.525.40 million was towards employee compensation and Kshs.262.67 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 29 per cent was for domestic travel, while there was no expenditure on foreign travel. The domestic travel exchequer amounted to Kshs.77.24 million and included Kshs.56.03 million for the County Executive and Kshs.21.21 million for the County Assembly. During the period under review there was no expenditure on foreign travel for both the County Executive and the County Assembly.

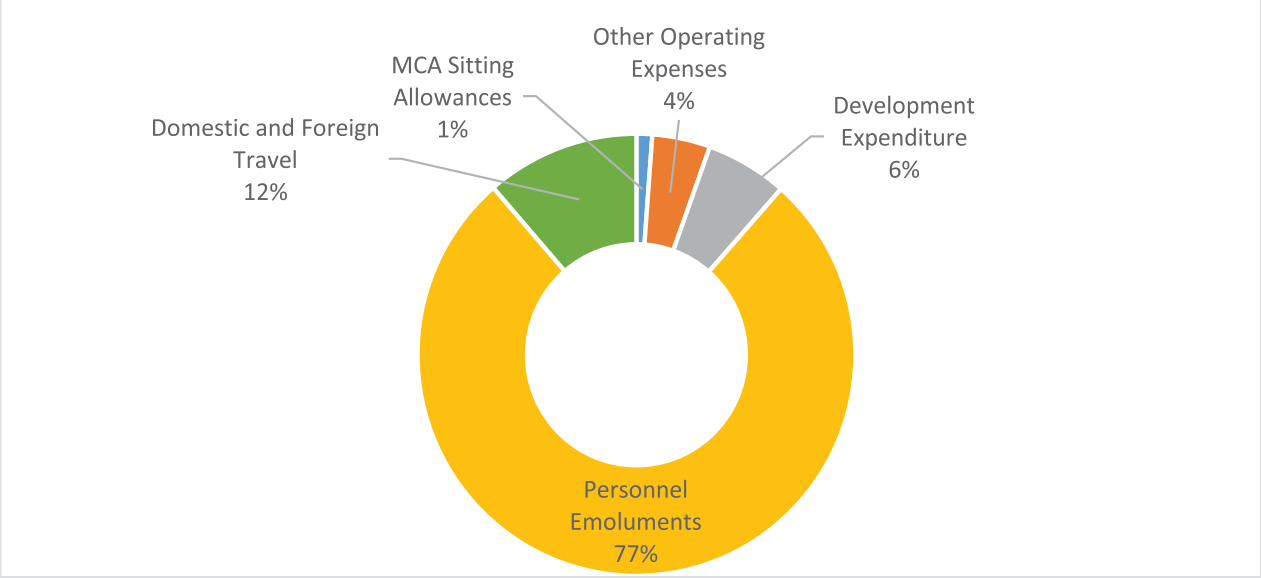
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.376.57 million.

3.37.6 Expenditure Review

The County spent Kshs.829.16 million on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.41.09 million for development programmes and Kshs.788.06 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 2 per cent, while recurrent expenditure represented 26 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 215: Samburu County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Samburu *County Treasury*

As shown in Figure 215, the three highest expenditure categories were Personnel Emoluments. Domestic Travels and Development expenditure accounted for 77 per cent, 12 per cent, and 6 per cent of total expenditure for the reporting period, respectively.

3.37.7 Settlement of Trade Payables

As of 1st July 2025, the County reported Trade Payables totalling Kshs.481.39 million. This amount included Kshs.432.03 million from the County Executive and Kshs.49.6 million from the County Assembly. The Trade Payables from the County Executive consisted of Kshs.231.05 million for recurrent expenditures and Kshs.200.77 million for development expenditures.

During the reporting period, the County Executive did not settle any trade payables, whereas the County Assembly settled trade payables worth Kshs.23.77 million, which was wholly for recurrent activities. The outstanding trade payables as of 30th September 2025 were Kshs.481.39 million for the County Executive and Kshs.25.89 million for the County Assembly. Table 3.424 provides additional details of Trade Payables.

Table 3.424: Samburu County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	231,045,333	200,786,404	432,031,737
		County Assembly	7,721,925	41,639,817	49,361,742
		Total	238,767,258	242,426,221	481,393,479
Amount paid in FY 2025/26	c	County Executive	-		-
		County Assembly	-	23,772,203	23,772,203
		Total	-	23,772,203	23,772,203
Outstanding Trade Payables as of 30 September 2025	e = a - c*b	**County Executive**	231,045,333	200,786,404	432,031,737
		County Assembly	7,721,925	17,867,614	25,589,539
		Total	238,767,258	218,654,018	457,621,276

Source: *Samburu County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.84.36 million and Kshs.26.77 million, respectively, in FY 2025/26. The County did not adhere to this payment plan, as it did not make any settlement in the Executive and Kshs.24.77 million for the Assembly.

Table 3.425 and Table 3.426 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.457.62 million.

Table 3.425: Samburu County Executive Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**161,964,429**	**60,120,679**		**9,160,225**	**231,045,333**
Recurrent Trade Payables (Goods & Services)	105,368,105	6,759,044		2,334,000	**114,461,149**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	45,800,821		8,579,518	31,944,916	**86,325,255**
Total Recurrent Trade Payables	**151,168,926**	6,759,044	8,579,518	34,278,916	**200,786,404**
Total Trade Payables	**313,133,355**	**66,879,723**	**8,579,518**	**43,439,141**	**432,031,737**
% of Total	**72.48%**	**15.48%**	**1.99%**	**10.05%**	**100.00%**

Source: *Samburu County Treasury*

Table 3.426: Samburu County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	7,721,925	**0**	**0**	**0**	7,721,925
Recurrent Trade Payables (Staff Claims)	17,867,614				17,867,614
Total Trade Payables	25,589,539	0	0	0	25,589,5390
% of Total	**100%**	**%**	**%**	**%**	**100%**

Source: *Samburu County Treasury*

During the review period, the analysis indicated that all trade payables settled by the County Assembly were under one year, while the County Executive's ageing analysis showed noncompliance with the payment plan.

3.37.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.456.63 million for compensation of employees, Kshs.229.53 million for operations and maintenance, and Kshs.41.09 million for development activities. Similarly, the County Assembly spent Kshs.68.77 million on compensation of employees and Kshs.33.14 million on operations and maintenance, during the period no expenditures were incurred on development activities, as shown in Table 3.427.

Table 3.427: Samburu County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	5,301,870,200	586,086,120	686,153,011	101,913,737	13	17
Compensation of Employees	3,000,743,590	322,074,489	456,625,631	68,772,689	15	21
Operations and Maintenance	2,301,126,610	264,011,631	229,527,380	33,141,048	10	13
Development Expenditure	2,512,350,440		41,094,477		2	-
Total	**7,814,220,640**	**586,086,120**	**727,247,488**	**101,913,737**	**9**	**17**

***Source**: Samburu County Treasury*

3.37.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.525.40 million. The compensation-to-revenue ratio was 32 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.475.11 million reported in a similar period in FY 2024/25. Of this total, Kshs.304.14 million related to the Health Sector employees, which accounted for 57.89 per cent of the overall employees' compensation.

Further analysis indicated that PE costs amounting to Kshs.513.30 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.12.09 million was processed through manual payroll, which accounted for 2 per cent of the total PE cost.

The manual payroll comprised salaries for 68 staff not onboarded into the Human Resource Information System (HRIS), top-up allowances for security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.428.

Table 3.428: Breakdown of Samburu County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
1	Salaries for staff yet to be onboarded into HRIS	11,703,955
2	Top-up Allowances for Security Officers	390,600
3	Gratuity for contract staff	11,703,955
	Total	12,094,555

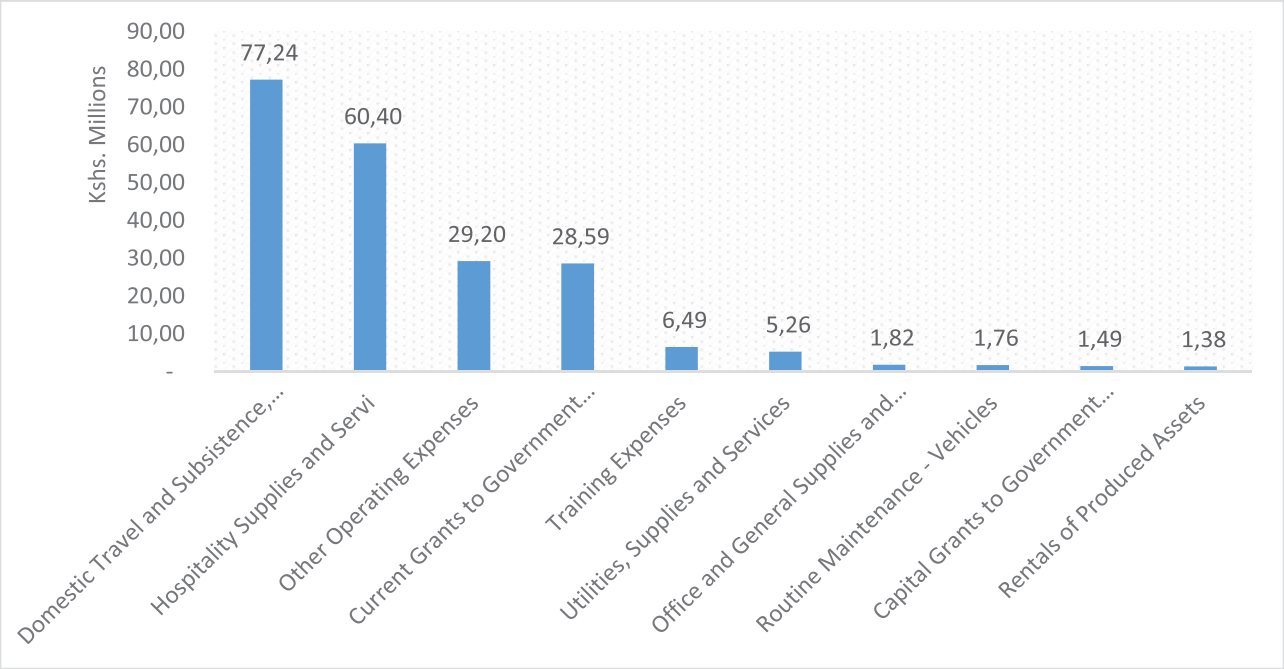
Source: Samburu County Treasury

The County Assembly spent Kshs.7.92 million on committee sitting allowances for the 25 MCAs against the annual budget allocation of Kshs.31 million. The average monthly sitting allowance was Kshs.105,653 per MCA. The County Assembly has 15 House Committees.

3.37.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.262.67 million on operations and maintenance, representing a decrease of 27 per cent compared to FY 2024/25, when the County spent Kshs.357.46 million. Figure 216 summarises the Operations and Maintenance expenditure by major categories.

Figure 216: Samburu County, Operations and Maintenance Expenditure by Major Categories



Source: *Samburu County Treasury*

3.37.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.29.20 million under "other Operating expenses" translates to 11 per cent of the cumulative operations and maintenance expenditure of Kshs.262.67 million. The disaggregated items under the "*Other Operating Expenses*" category are shown in Table 3.429.

Table 3.429: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211308	Legal Dues/fees, Arbitration and Compensation Payments	45,000,000	29,204,699.00
	Total	45,000,000	29,204,699.00

Source: *Samburu County Treasury*

A review of the other operating expenses during the period under review reveals that the total expenditure incurred was for Legal Dues/fees, Arbitration, and Compensation Payments.

3.37.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.264.21 million to County-Established funds in FY 2025/26, or 3 per cent of the County's overall budget. Further, the County allocated Kshs.20 million to the Emergency Fund (0.3 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.430 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.430: Performance of Samburu County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
1	Conservancies Fund – Department of Tourism, Trade, Enterprise Development and Cooperatives	2017	134,000,000	0	0	0	Yes
2	Executive Car Loan and Mortgage	2017	3,000,000	0	0	0	No
3	Bursaries and Support Services - Department of Education and Vocational Training	2017	100,000,000	0	0	0	No
4	PLWD Fund	2017	5,000,000	0	0	0	No
5	Emergency Fund – Department of Finance	2017	20,000,000	0	0	0	No
6			262,000,000				
		County Assembly Established Funds					
1	Assembly Car Loan and Mortgage	2017	2,212,000	0	0		No
	Total		**264,212,000**	**0**	**0**	**0**	

Source: *Samburu County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from 6 Fund Administrators, as indicated in Table 3.430, contrary to the requirement of Section 168 of the PFM Act, 2012. The County disclosed that the administration costs of the Conservancy funds were within a 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015. The remaining funds could not be ascertained because the reports were not submitted for review.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB determined that the lifespan of all funds remained **within** their valid period.

3.37.13 County Corporations

The County of Samburu do not have any established Corporation.

3.37.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.77.24 million and comprised Kshs.21.21 million spent by the County Assembly and Kshs.56.03 million by the County Executive. During the period under review, there was no expenditure on foreign travel. For both the County assembly and the County executive.

3.37.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.10.24 million as FIF, which was 52.2 per cent of the annual target of Kshs.19.64 million. The collected amount was partially retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County, however, has not developed regulations to operationalise the FIF Act of 2023.

3.37.16 Development Expenditure

In the review period, the County reported spending Kshs.41.09 million on development programmes, representing a decrease of 74 per cent compared to FY 2024/25, when the County spent Kshs.162.49 million. Table 3.431 summarises the development projects with the highest expenditure in the reporting period.

The decline in development expenditure was attributed to the National Government's introduction and slow implementation of the new electronic procurement system.

Table 3.431: Samburu County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	Donor Funded Projects							
1	Agriculture and Livestock	Capital Grants to Government Agencies and Other Levels of Government	Samburu		41,094,477	41,094,477	41,094,477	100 26

Source: *Samburu County Treasury*

The County reported two stalled development projects as of 30 September 2025, with an estimated value of Kshs.204.54 million, of which Kshs.168.23 million has already been paid. The stalled projects are shown in Table 3.432.

Table 3.432: Samburu County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Proposed construction of the inpatient Block at Samburu County Teaching and Referral Hospital	Maralal	116,951,010	107,790,785	9,160,225	92%	The contractor demanded variations to the work
Construction of the Governor's official residence	Maralal	87,586,528	60,440,153	27,146,375	69%	The contractor demanded variations to the work

Source: *Samburu County Treasury*

3.37.17 Budget Performance by Department

Table 3.433 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.433: Samburu County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	538.03	18.00	140.84	-	140.84	-	100.0	-	26.2	-
Finance, Economic Planning & ICT	840.96	63.50	83.42	-	83.42	-	100.0	-	9.9	-
Agriculture, Livestock Development, Veterinary Services & Fisheries	216.52	727.65	16.94	-	16.94	-	100.0	-	7.8	-
Water, Environment, Natural Resources & Energy	175.65	340.70	36.59	41.09	36.59	41.09	100.0	100.0	20.8	12.1
Education and Vocational Training	607.83	166.90	49.08	-	49.08	-	100.0	-	8.1	-
Medical Services, Public Health & Sanitation	1,507.43	93.10	304.14	-	304.14	-	100.0	-	20.2	-
Lands, Housing, Physical Planning & Urban Development	218.08	146.00	4.84	-	4.84	-	100.0	-	2.2	-
Roads, Transport & Public Works	112.18	298.40	10.59	-	10.59	-	100.0	-	9.4	-
Tourism, Trade, Enterprise Development & Cooperatives	257.03	200.50	26.06	-	26.06	-	100.0	-	10.1	-

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Culture, Social Services, Gender, Sports & Youth Affairs	242.07	397.60	13.66	-	13.66	-	100.0	-	5.6	-
County Assembly	586.09	60.00	101.91	-	101.91	-	100.0	-	17.4	-
	5,301.87	**2,512.35**	**788.07**	**41.09**	**788.07**	**41.09**	**100.0**	**100.0**	**14.9**	**1.6**

Source: *Samburu County Treasury*

Analysis of expenditure by departments shows that the Department of Water, Environment, Natural Resources & Energy was the only department with activities, recording a 12 per cent absorption rate of the development budget. The County Executive had the highest recurrent expenditure to budget at 26.2 per cent, while the Department of Culture, Social Services, Gender, Sports & Youth Affairs had the lowest at 5 per cent.

3.37.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Promotion of Value Addition of Livestock and Livestock Products in the Department of Agriculture, Livestock and Fisheries at 14 per cent. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Tourism and Infrastructure Development in the Department of Tourism and Trade at 70 per cent and Coordination, Supervision and Human Resource Services and County Policing in the Department of County Executive at 58 and 48 per cent, respectively of the budget allocation.

3.37.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 29 accounts in commercial banks, including 5 accounts for Health Facilities, 1 account for Vocational Training Centres, 5 accounts for Established Funds, 2 revenue accounts, 10 special-purpose accounts (additional allocations), and 7 payment and ad hoc accounts for special projects.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of 29 commercial bank accounts, as required under Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.37.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 30th of October 2025.
ii. Low development performance in the review period as the County incurred Kshs.41.09 million on development activities, achieving a 2 per cent absorption rate against an expected 25 per cent.
iii. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Assembly Car Loan and Mortgage, Executive Car Loan and Mortgage, Bursaries and Support Services, People Living With Disability Fund Emergency Fund Executive Car Loan and

Mortgage Fund were not submitted to the CoB as of 15 July 2025.

iv. High level of Trade Payables, which amounted to Kshs.345.51 million as of 30 September 2025. Further, there was non-adherence to the payment plan for the Trade Payables by the County Treasury.

v. Use of manual payroll. Personnel emoluments amounting to Kshs.12.09 million for 68 staff not on-boarded into HRIS were processed through manual payroll, accounting for 2 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.

vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

vii. The County has stalled with an estimated value of Kshs.204.54 million, with Kshs.168.23 million paid (82 per cent). The stalling of the projects is attributed to the contractor demanded variations to the work. Stalling of projects limits the attainment of desired project objectives.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*

ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iii. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

iv. *The County Leadership should address the situation of Trade Payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

v. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*

vi. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

vii. *The County should enforce stricter contract management and approval processes for variations of works, including clear timelines and penalties for non-completion, to prevent further fund wastage and ensure timely project delivery.*

3.38. County Government of Siaya

3.38.1 Overview of FY 2025/26 Budget

The Siaya County Approved Budget for FY 2025/26 is Kshs.12.79 billion. It comprises Kshs.5.82 billion (45 per cent) and Kshs.6.97 billion (55 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.1.85 billion (17 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.87 billion and a recurrent budget of Kshs.6.07 billion. The increase in the budget was primarily attributed to the rise in equitable share and own-source revenue.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.7.75 billion (60 per cent), additional allocations of Kshs.962 million (8 per cent), a cash balance of Kshs.961 million (8 per cent) brought forward from FY 2024/25, and Kshs.3.11 billion (24 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.434.

3.38.2 Revenue Performance

During the first Quarter of FY 2025/26, the County had Kshs.2.38 billion as available revenue. This amount represented a decrease of 20 per cent compared to the amount available in a similar period in FY 2024/25 of Kshs.2.99 billion. The total revenue consisted of Kshs.1.24 billion from the equitable share of revenue raised nationally, as well as the own-source revenue (OSR) collection of Kshs.178 million. Additionally, the County had a cash balance of Kshs.961 million from FY 2024/25. The total OSR collection of Kshs.178 million included Facilities Improvement Financing (FIF) of Kshs.129 million, and Kshs.49 million from other OSR sources. Ta-

ble 3.434 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.434: Siaya County, Revenue Performance in FY 2025/26

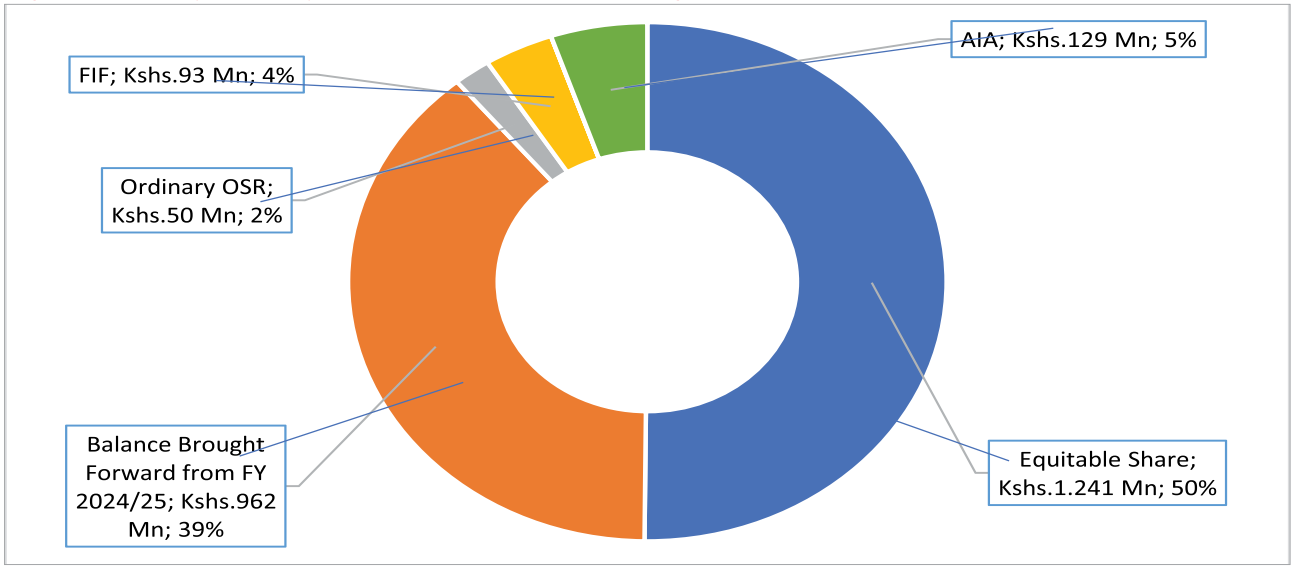
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	7,754,478,885.00	1,240,983,469	**16%**
	Subtotal	**7,754,478,885.00**	**1,240,983,469.00**	**16%**
B	**Equalisation Fund Disbursement**	31,973,185.00	-	**0%**
	Subtotal	**31,973,185.00**	**-**	**0%**
C	**Additional Allocations**			
1	Arrears to health care workers	22,723,820.00	-	
2	Community Health promoters (CHP)	63,810,000.00	-	
3	DANIDA	8,721,000.00	-	
4	KDSP II-Recurrent	37,500,000.00	-	
5	KDSP II-Development	352,500,000.00	-	
6	Aquaculture Business Development Project (ABDP)	12,969,602.00	-	
7	National Agricultural Value Chain Development Programme (NAVCDP)	231,250,000.00	-	
8	Kenya Livestock Commercialisation Project (KELCOP)	60,550,000.00	-	
9	Finnacing Locally Led Climate Action (FLLoCA)	11,000,000.00	-	
10	Royalties	259,152.00	-	
11	Roads Maintenance Levy Fund (RMLF)	160,843,161.00	-	
	Subtotal	**962,126,735.00**	**-**	
D	**Ordinary Own Source Revenue (OSR)**			
1	Single Business Permits	498,490,765.00	15,290,589.00	3%
2	Market Fees	345,678,098.00	9,502,594.55	3%
3	Bus Park	87,654,321.00	4,675,381.00	5%
4	Parking	45,786,908.00	3,290,415.00	7%
5	Plan Approval (Physical Planning)	37,178,098.00	2,519,587.00	7%
6	Kiosk/Stall Rent	387,615,432.00	2,375,675.00	1%
7	Misc.	-	1,597,362.75	0%
8	Plan Approval (Engineers)	24,768,098.00	1,332,268.00	5%
9	Plot Rent	94,321,890.00	1,313,384.00	1%
10	Fish Cess	23,657,098.00	1,251,720.00	5%
11	Veterinary Services	5,076,497.00	1,181,160.00	23%
12	Advertisement Charges	11,550,000.00	972,504.15	8%
13	Public Health	-	927,101.00	0%
14	Plot Rates	95,321,908.00	751,775.00	1%
15	Liquor Licensing	23,100,000.00	693,004.00	3%
16	Cattle Auction	5,775,000.00	420,800.00	7%
17	Sugar Cess	41,897,098.00	338,523.00	1%
18	Agriculture Income (Fisherman Licence)	6,214,236.00	273,500.00	4%
19	Survey Fee	1,732,500.00	194,500.00	11%
20	Weights & Measures	23,908,765.00	183,840.00	1%
21	Transfer Fee	3,003,000.00	144,500.00	5%

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Budget Allocation (%)
22	Clearance Certificate	1,732,500.00	122,000.00	7%
23	Ground Rent	4,532,897.00	101,000.00	2%
24	Slaughter Fees	12,879,076.00	86,600.00	1%
25	Tractor Hire Services (T.H.S) Private Tractors	137,087,500.00	56,000.00	0%
26	Nema (Noise Permit)	3,650,849.00	50,600.00	1%
27	House Rent	5,313,000.00	19,637.00	0%
28	Impounding Fee	2,310,000.00	5,000.00	0%
29	Boda Boda	47,869,098.00	-	0%
30	Trade Income (Audit Fee)	12,768,543.00	-	0%
31	Grader	10,626,000.00	-	0%
32	Fire Inspection	2,310,000.00	-	0%
33	County Hall Hire	161,700.00	-	0%
34	Cilor	23,100,000.00	-	0%
35	Burial Fee & Synage	115,500.00	-	0%
36	Site Fee	1,504,965.00	-	0%
37	Private Estate Fee	150,150.00	-	0%
38	Sand Cess/Quarry	7,004,005.00	-	0%
39	School Fee	389,813.00	-	0%
Subtotal		**2,036,235,308.00**	**49,671,020.45**	**2%**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	1,078,685,515.00	92,962,358.10	9%
3	Hospital Revenue	-	36,063,649.68	0%
Subtotal		**1,078,685,515.00**	**129,026,007.78**	**12%**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance b/d 2024/2025	961,813,235.00	961,813,235.00	100%
Subtotal		**961,813,235.00**	**961,813,235.00**	**100%**
Grand Total		**12,793,339,678.00**	**2,381,493,732.23**	**19%**

Source: *Siaya County Treasury*

The County has a governing legislation on the operation of ordinary A-I-A and FIF. Figure 217 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

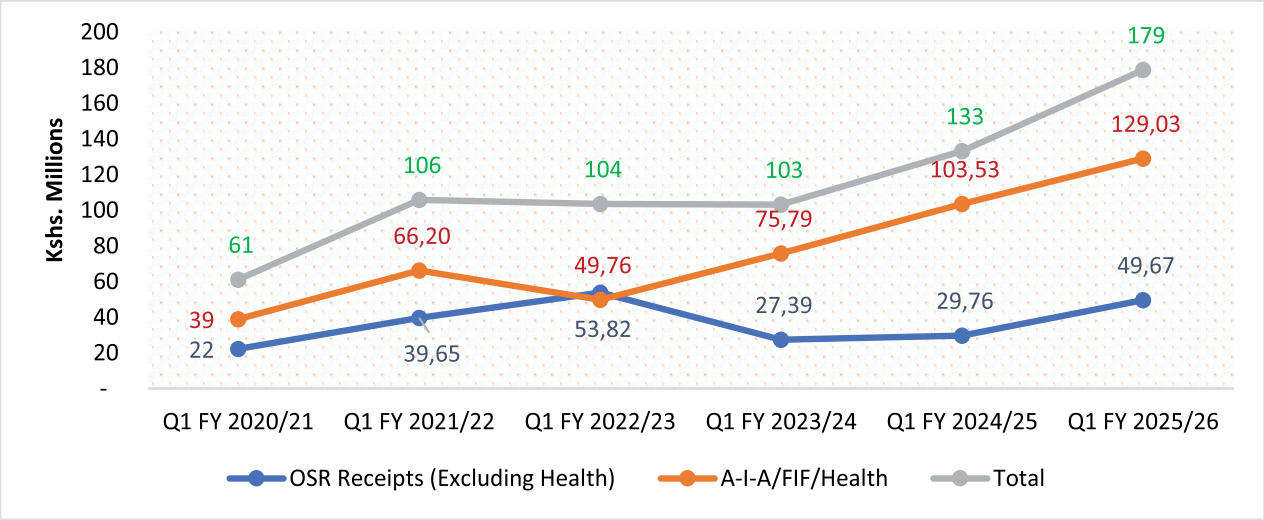
Figure 217: Siaya County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Siaya County Treasury*

The equitable share of revenue raised nationally and OSR contributed 50 and 2 per cent, respectively, of the total receipts for the reporting period. Figure 218 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 218: Siaya County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

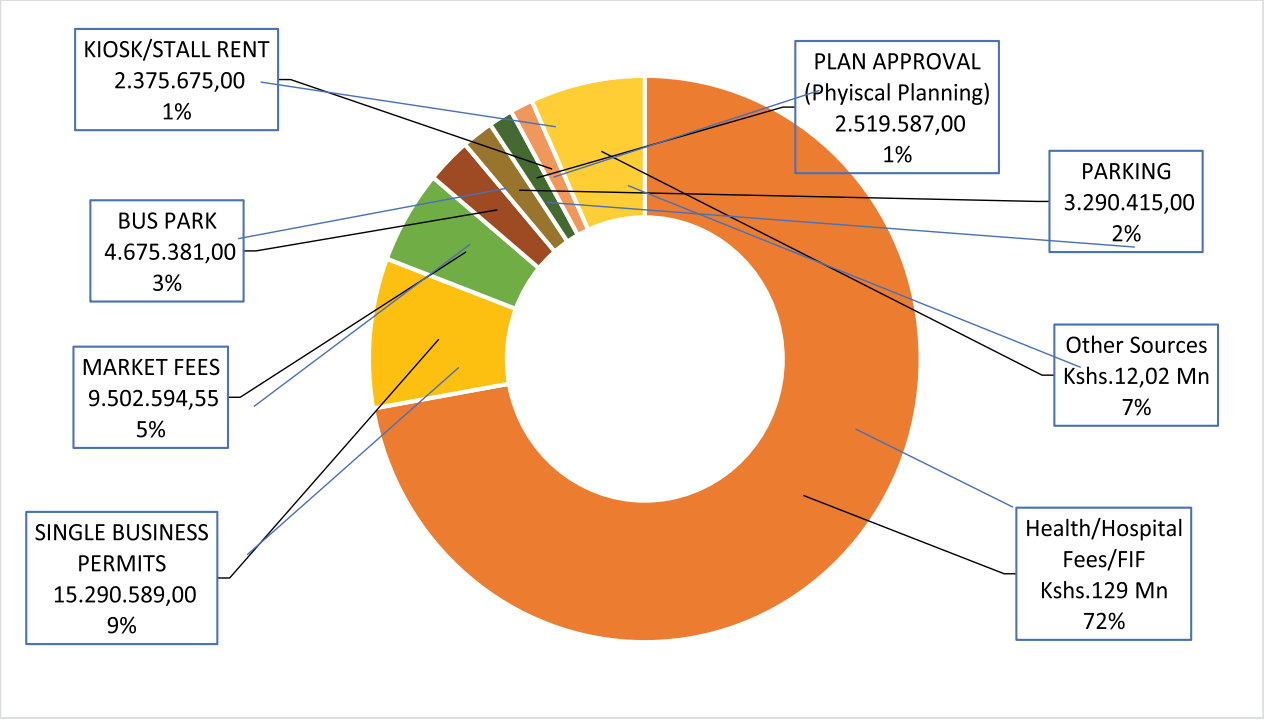


Source: *Siaya County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.178 million from its revenue sources, including FIF. This amount represented a 34 per cent increase compared to the Kshs.133 million realised in a similar period in FY 2024/25, and accounted for 6 per cent of the annual target and 14 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to the migration from manual to automated revenue collection systems and the enhanced administration of revenue collection through inspections. The revenue streams that contributed the highest OSR receipts are shown in Figure 219.

Figure 219: Siaya County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Siaya County Treasury

As shown in Figure 219, the highest revenue stream, at Kshs.129 million, was from Health/FIF/Hospital Fees, accounting for 72 per cent of the total OSR receipts. The County Government indicated that it has automated 12 out of 25 revenue streams.

3.38.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.189 million, this amount increased to Kshs.332 million as of 30th September 2025. Table 3.435 presents a breakdown of the County's revenue arrears.

Table 3.435: Siaya County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Ordinary Own Sources of Revenue**					
1	Single Business Permit	57,952,905.00		15,290,589.00		42,662,316.00
2	Liquor	2,444,200.00				2,444,200.00
	Sub-Total	**60,397,105.00**		**15,290,589.00**		**45,106,516.00**
B	**Facility Improvement Fund (FIF)**					
1	SHA	128,863,123.00			158,613,533.87	287,476,656.87
	Sub-Total	**128,863,123.00**			**158,613,533.87**	**287,476,656.87**
Total		**189,260,228.00**	**-**	**15,290,589.00**	**158,613,533.87**	**332,583,172.87**

Source: Siaya *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.332 million, comprising Kshs.287 million for FIF (86 per cent) and Kshs.45 million for OSR (14 per cent). The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include inspection and penalties for default.

3.38.4 Borrowing by the County

The County did not borrow during the reporting period, as reported by the County treasury.

3.38.5 Exchequers Approved

The Controller of Budget approved the withdrawal of Kshs.712 million from the Consolidated Revenue Fund (CRF) account during the reporting period, which was entirely allocated to recurrent programs. An analysis of the recurrent expenditures released indicates that Kshs.712 million was allocated for employee compensation, with no funds designated for operations and maintenance expenditures.

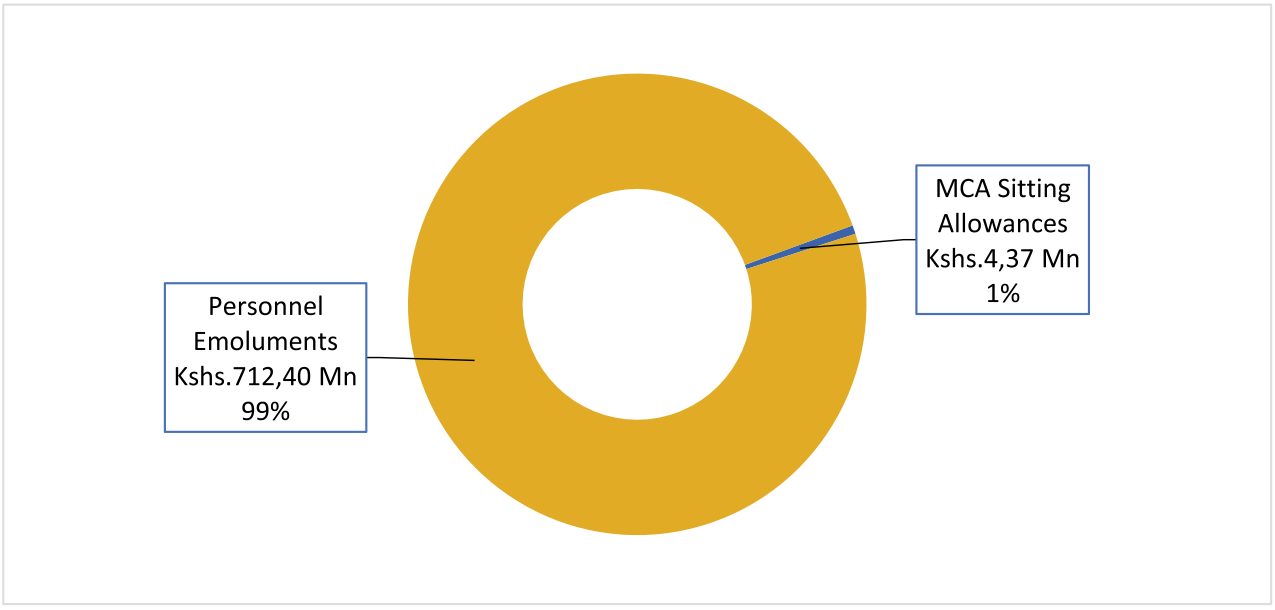
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.673 million.

3.38.6 Expenditure Review

The County spent Kshs.712 million on recurrent programs during the reporting period. This expenditure accounted for 100 per cent of the total funds released by the CoB. There was no spending on development programs, and the entire Kshs.712 million was allocated to recurrent programs. This recurring expenditure accounted for 10 per cent of the annual recurring expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 220: Siaya County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Siaya *County Treasury*

As shown in Figure 220, the highest expenditure category was personnel emoluments, accounting for 99 per cent of the total expenditure for the reporting period.

3.38.7 Settlement of Trade Payables

As of July 1, 2025, the County reported trade payables totalling Kshs.1.9 billion. This amount included Kshs.1.88 billion from the County Executive and Kshs.39 million from the County Assembly. The Trade payables from the County Executive consisted of Kshs.1.05 billion for recurrent expenditures and Kshs.832 million for development expenditures.

During the reporting period, neither the County Executive nor the Assembly settled any payables. As of 30th September 2025, the outstanding payables was Kshs.1.88 billion for the County Executive and Kshs.81 million for the County Assembly. Table 3.3 provides additional details of payables.

Table 3.436: Siaya County Trade payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	832,926,758	1,057,040,407	1,889,967,165
		County Assembly	-	39,285,727	39,285,727
		Total	832,926,758	1,096,326,134	1,929,252,892
Trade payables incurred in the First Quarter of FY 2025/26	d	County Executive	-	-	-
		County Assembly	-	42,561,431	42,561,431
		Total	-	42,561,431	42,561,431
Outstanding Trade payables as of 30 September 2025	e=a-c*b	**County Executive**	**832,926,758**	**1,057,040,407**	**1,889,967,165**
		County Assembly	**-**	**81,847,158**	**81,847,158**
		Total	**832,926,758**	**1,138,887,565**	**1,971,814,323**

Source: *Siaya County Treasury*

Table 3.437 and Table 3.438 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.97 billion.

Table 3.437: Siaya County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	775,825,315.36	29,325,533.88	8,467,944.58	19,307,964.51	832,926,758
Recurrent Trade Payables (Goods & Services)	635,351,993.71	81,122,320.01	32,984,865.16	13,407,276.00	762,866,455
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	290,203,786.23				290,203,786
Recurrent Trade Payables	3,970,166.00				3,970,166
Total Recurrent Trade Payables	929,525,946	81,122,320	32,984,865	13,407,276	1,057,040,407
Total Trade Payables	**1,705,351,261**	**110,447,854**	**41,452,810**	**32,715,241**	**1,889,967,165**
% of Total	90	6	2	2	100

Source: *Siaya County Treasury*

Table 3.438: Siaya County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills					-
Recurrent Trade Payables (Goods & Services)	14,392,429	39,285,727			53,678,156
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	28,169,002	-			28,169,002
Recurrent Trade Payables (Staff Claims)					-
Total Recurrent Trade Payables	42,561,431	39,285,727	-	-	81,847,158
Total Trade Payables	**42,561,431**	**39,285,727**	**-**	**-**	**81,847,158**
% of Total	52	48	-	-	100

Source: *Siaya County Treasury*

As neither the Executive nor the Assembly settled any of their liabilities in the first quarter of FY 2025/25, we advise them to prioritise settling the payables on a FIFO basis.

3.38.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.654.9 million for compensation of employees, and the County Assembly spent Kshs.57.5 million on compensation of employees, as shown in Table 3.439.

Table 3.439: Siaya County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**6,194,657,987**	**779,893,500**	**654,871,759**	**57,525,884**	**11%**	**7%**
Compensation of Employees	3,253,191,529	348,925,645	654,871,759.30	57,525,883.78	**20%**	**16%**
Operations and Maintenance	2,941,466,458	430,967,855	-	-	**0%**	**0%**
Development Expenditure	**5,237,450,643**	**581,337,548**	-	-	**0%**	**0%**
Total	**11,432,108,630**	**1,361,231,048**	**654,871,759**	**57,525,884**	**6%**	**4%**

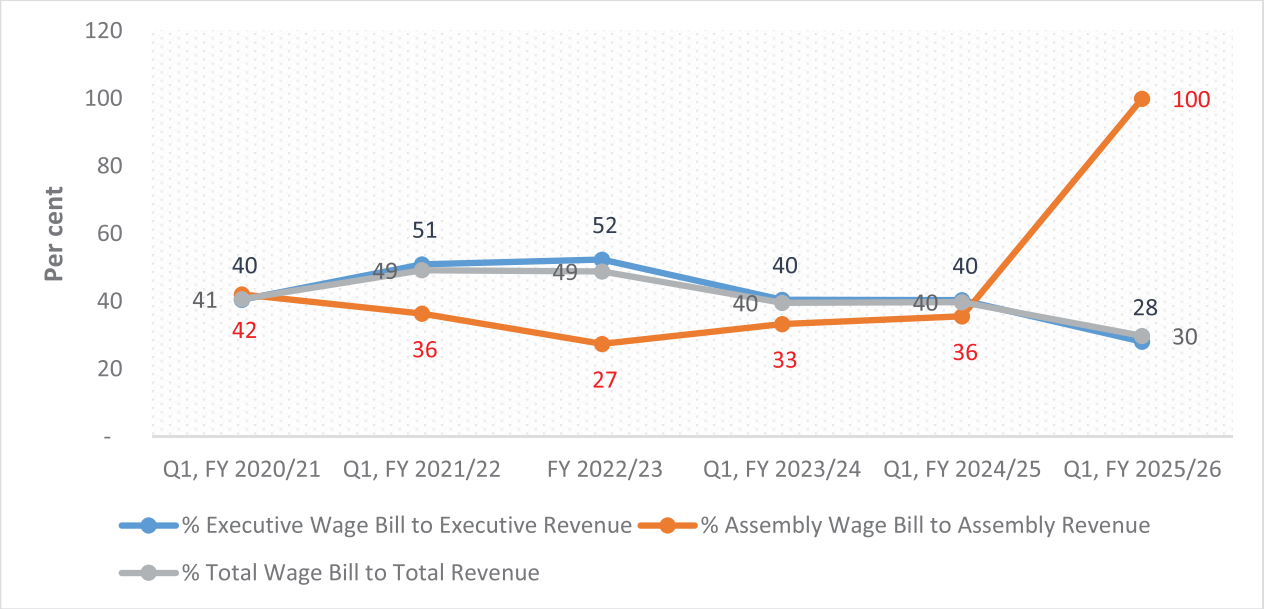
Source: *Siaya County Treasury*

3.38.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.712 million. The percentage of compensation to revenue for employees was 19 per cent. This expenditure on employee compensation shows an increase compared to the Kshs.598 million reported in a similar period in FY 2024/25.

Figure 221 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 221: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Siaya County Treasury

As shown in Figure 221, in the first quarter of FY 2025/26, the Executive wage spending to actual revenue was 28 per cent, attributed to the unutilised funds at the CRF. The County Assembly's wage spending as a percentage of actual revenue was 100 per cent in the first quarter of FY 2025/26.

Further analysis revealed that PE costs totalling Kshs.606 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.105 million was processed through manual payroll, which accounted for 15 per cent of the total PE cost.

The manual payroll comprised salaries for 1021 staff not onboarded into the Human Resource Information System (HRIS), salaries for 8990 casual staff, top-up allowances for 11 security personnel, gratuity remittances to pension schemes for staff on contract, and LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.440.

Table 3.440: Table 3.440: Breakdown of Siaya County Manual Payroll

Description of Manual Payroll	County Executive	County Assembly	Total
Salaries for staff paid outside the Human Resource Information System (HRIS)	54,743,819.00		54,743,819.00
Salaries for casual staff	55,268,168.80		55,268,168.80
Top-up Allowances for security officers	1,039,500.00		1,039,500.00
LAPTRUST/LAPFUND Pension Contributions	6,778,230.00		6,778,230.00
Gratuity for contract staff	7,448,228.57	3,976,940	11,425,168.35
Cummuted leave	1,337,358.20		1,337,358.20
Total	**126,615,304.57**	**3,976,939.78**	**130,592,244.35**

Source: Siaya County Treasury

The County Assembly spent Kshs.4.37 million on committee sitting allowances for the 45 MCAs. The average monthly sitting allowance was Kshs.32, 405 per MCA. The County Assembly has 23 House Committees.

3.38.10 Expenditure on Operations and Maintenance

During the reporting period, the County did not incur any expenditure on operations and maintenance.

3.38.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.221 million to County-established funds in FY 2025/26, or 1 per cent of the County's overall budget. Furthermore, the County allocated Kshs.180 million to the Emergency Fund (1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.441 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.441: Performance of Siaya County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
County Executive Established Funds							
1	Siaya County Emergency Fund	2020	180,000,000.00	-	-	437,557,169.00	YES
2	Siaya County Bursary Fund	2013	-	-	-	732,100,000.00	YES
3	Financing Locally Led Climate Action (FLLoCA)	2022	11,000,000.00			272,555,660.00	YES
4	Cooperative Development Fund	2024	10,000,000.00	-	-	-	NO
County Assembly Established Funds							
5	The Siaya County Assembly Car Loan And Mortgage Fund	2015	20,000,000	-	1,004,509	454,711,237	YES
	Total		**221,000,000.00**		**1,004,509.00**	**1,896,924,066**	

Source: *Siaya County Treasury*

During the reporting period, the CoB received quarterly financial reports from four Fund Administrators, as indicated in Table 3.441, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly.

3.38.12 County Corporations

The County has no County Corporations in FY 2025/26.

3.38.13 Expenditure on Domestic and Foreign Travel

The County reported nil expenditure on domestic travel and foreign travel.

3.38.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.129 million as FIF, which was 12 per cent of the annual target of Kshs.1.08 billion. The collected amount was retained and utilised at source in line with

the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.209 million, as shown in Table 3.442.

Table 3.442: Siaya County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 4 Hospital	16	822,189,842.65	185,083,769.55	22.5
2.	Level 3 Facility	57	156,495,672.00	17,583,955.40	11.2
3.	Level 2 Facility	107	100,000,000.35	6,889,372.15	6.9
	Total		**1,078,685,515.00**	**209,557,097.10**	**19.4**

Source: *Siaya County Treasury*

3.38.15 Development Expenditure

During the review period, the County reported no expenditure on development programmes.

The County reported three stalled development projects as of 30 September 2025, with an estimated value of Kshs.46.8 million. The stalled projects are shown in Table 3.443.

Table 3.443: Siaya County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Proposed Construction of Rarieda Sub-County Headquarters in Aram	Executive	39,900,000.00	42,383,851.99		Land Issues
Purchase of Land for Construction of Rarieda Sub-County Office	Executive	5,000,000.00	5,000,000.00		Delayed Procurement Process
Completion of Nyamonye Juakali	Yimbo East	1,878,186.20		40	Stalled, review of contract awaiting termination

Source: Siaya County Treasury

3.38.16 Budget Performance by Department

Table 3.444 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.444: Siaya County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	779.89	581.34	57.53		57.53		100	-	7	-
Governance and Administration	362.67	80.1	-	-	-	-	-	-	-	-
County Attorney	67.6	-	-	-	-	-	-	-	-	-
County Public Service Board	99.21	-	-	-	-	-	-	-	-	-
Finance and Economic Planning	1,406.29	69.99	318.93	-	318.93	-	100	-	23	-
Agriculture, Irrigation, Food, Livestock & Fisheries	295.9	578.06	-	-	-	-	-	-	-	-
Water, Environment & Natural Resources	93.89	465.73	-	-	-	-	-	-	-	-
Education, Youth Affairs, Gender and Social Services	386.98	620.64	-	-	-	-	-	-	-	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Health Services	2,591.45	775.36	335.94	-	335.94	-	100	-	13	-
Lands, Physical Planning, Housing and Urban Development	137.14	124.15	-	-	-	-	-	-	-	-
Siaya Municipality	98.99	143.01	-	-	-	-	-	-	-	-
Bondo Municipality	66.26	51.2	-	-	-	-	-	-	-	-
Ugunja Municipality	54.45	59.83	-	-	-	-	-	-	-	-
Roads, Public Works, Energy and Transport	121.35	1,706.89	-	-	-	-	-	-	-	-
Trade, Enterprise and Industrial-isation	265.59	395.31	-	-	-	-	-	-	-	-
Tourism, Culture, Sports and Arts	146.9	167.18	-	-	-	-	-	-	-	-
Total	**6,974.55**	**5,818.79**	**712.4**	**-**	**712.4**	**-**	**100**	**-**	**10**	**-**

***Source**: Siaya County Treasury*

Analysis of expenditure by departments shows that the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to budget at 22.7 per cent.

3.38.17 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes had zero levels of budget implementation based on absorption rates. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General Administration and Planning Services in the Department of Enterprise and Industrial Development at 36 per cent, The Office of the Governor in the Department of Governance and Administration at 8 per cent, Administration Planning, Revenue & Accounting in the Department of Finance and Economic Planning at 6 per cent, and Procurement at 6 per cent of the budget allocation.

3.38.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 37 accounts in commercial banks, including 24 accounts for Health Facilities, five accounts for Established Funds, and eight special-purpose accounts (additional allocations).

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.38.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 24th October 2025.
ii. The performance of own-source revenue was at Kshs 178 million against an annual target of Kshs.3. 11billion, representing 6 per cent of the financial year target.

iii. Low development performance in the review period as the County incurred nil expenditure on development activities.
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Emergence Fund, Cooperative Development Fund, and Flloca Fund were not submitted to the CoB as of July 15, 2025.
v. High level of pending bills, which amounted to Kshs.1.8 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the pending bills by the County Treasury.
vi. Use of manual payroll. Personnel emoluments amounting to Kshs.107.9 million for staff not onboarded to HRIS, accounting for 14 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
vii. The County reported revenue arrears of Kshs.332.58 million comprising ordinary OSR of Kshs.45.11 million and FIF (SHA) arrears of Kshs.287.48 million. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
v. *The County Leadership should address the situation of pending bills to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Pending Bills Action Plan should be enforced.*
vi. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
vii. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.39. County Government of Taita Taveta

3.39.1 Overview of FY 2025/26 Budget

The Taita Taveta County Approved Budget for FY 2025/26 is Kshs.7.85 billion. It comprises Kshs.2.63 billion (33 per cent) and Kshs.5.22 billion (67 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.330.71 million (4 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.41 billion and a recurrent budget of Kshs.5.77 billion. The decrease in the budget was primarily attributed to failure to include balance brought down from the financial year 2024/2025.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.5.29 billion (67 per cent), additional allocations of Kshs.1.61 billion (21 per cent) and Kshs.949.60 million (12 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.445

3.39.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.12 billion in revenue. This amount represented an increase of 16 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.965.47 million. The total revenue consisted of Kshs.891.46 million from the equitable share of revenue

raised nationally and own-source revenue (OSR) collection of Kshs.94.52 million. Additionally, the County had a cash balance of Kshs.119.02 million from FY 2024/25. The total OSR collection of Kshs.112.59 million included Facilities Improvement Financing (FIF) of Kshs.41.27 million and Kshs.71.32 million from other OSR sources. Table 3.445 summarises the total revenue available to the County Government during FY 2025/26.

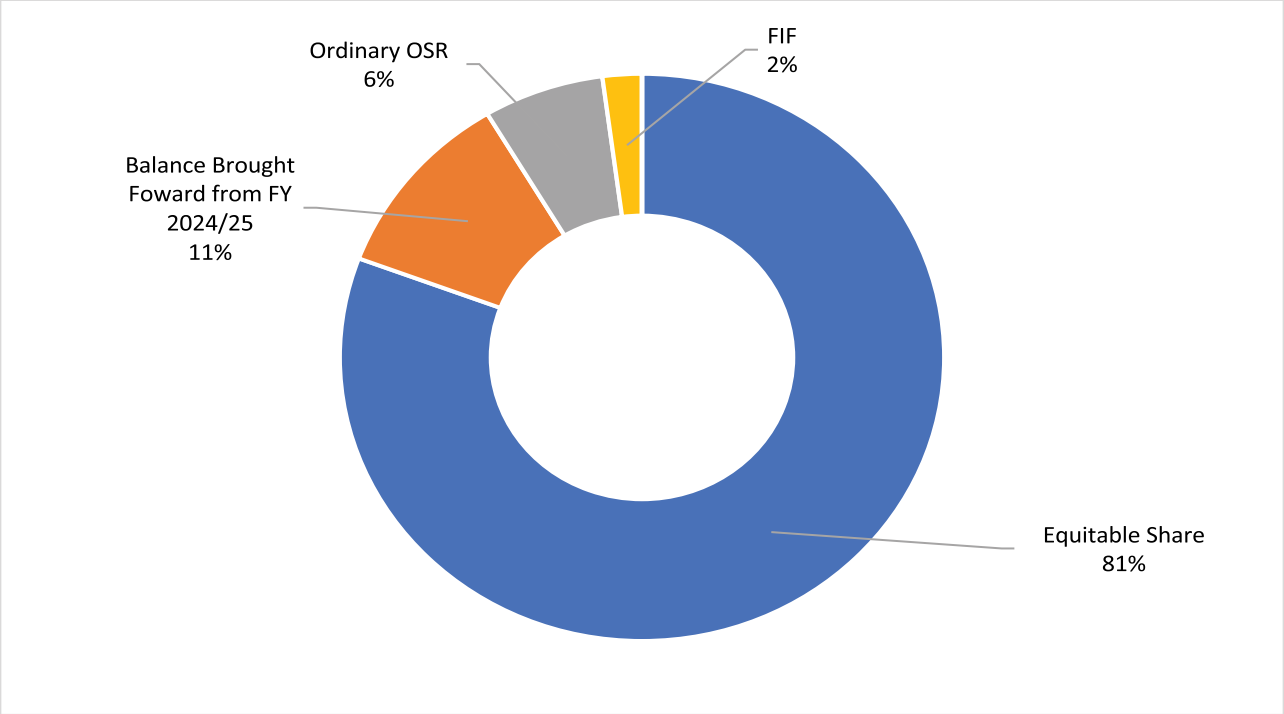
Table 3.445: Taita Taveta County, Revenue Performance in FY 2025/26

S/No	Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A	**Equitable Share**	**5,292,922,444**	**891,457,751**	**17**
	Sub Total	**5,292,922,444**	**891,457,751**	**17**
B	**Equalisation Fund Disbursement**	-	-	-
	Sub Total	-	-	-
	Sub Total	-	-	-
	Additional Allocations			
1	National Agricultural Value Chain Development Programme (NAVCDP)	151,000,000	-	-
	Water and Sanitation Development Project (WSDP)	920,000,000	-	-
2	Danida Grant - Primary Health	9,547,500	-	-
3	Danida Grant - Primary Health Brought Forward	6,532,500	-	-
4	Kenya Devolution Support Programme (KDSP)	390,000,000	-	-
5	Kenya Urban Support Programme (World Bank)-(KUSP)	51,000,000	-	-
6	Roads Maintenance and Fuel Levy Fund	78,389,752	-	-
	Sub-Total	**1,606,469,752**	-	-
	Other Sources of Revenue			
D	**Ordinary Own Source Revenue**	**669,600,000**	**71,318,000**	**11**
	Balance b/f from FY2024/25	-	119,018,127	-
E	**Balance at CRF**	-	**118,918,115**	-
1	County Executive Refund to CRF	-	1,796	-
2	County Assembly Refund to CRF	-	98,216	-
	Facility Improvement Fund (FIF)	**280,000,000**	**41,273,886**	**15**
1	SHIF	180,000,000	23,203,975	13
2	Defunct NHIF	-	-	-
3	Other FIF	100,000,000	18,069,911	18
	Other Revenues	-	-	-
1	Appropriation in Aid (AIA)	-	-	-
	Sub-Total Other Sources	**949,600,000**	**213,540,102**	**22**
	Grand Total	**7,848,992,196**	**1,123,067,763**	**14**

Source: *Taita Taveta County Treasury*

Taita Taveta County did not receive any additional allocation from development partners as of the date of reporting. Taita Taveta County has a governing legislation on FIF. Figure 222 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 222: Taita Taveta County Composition of Each Shilling Received in the First Quarter of FY 2025/26

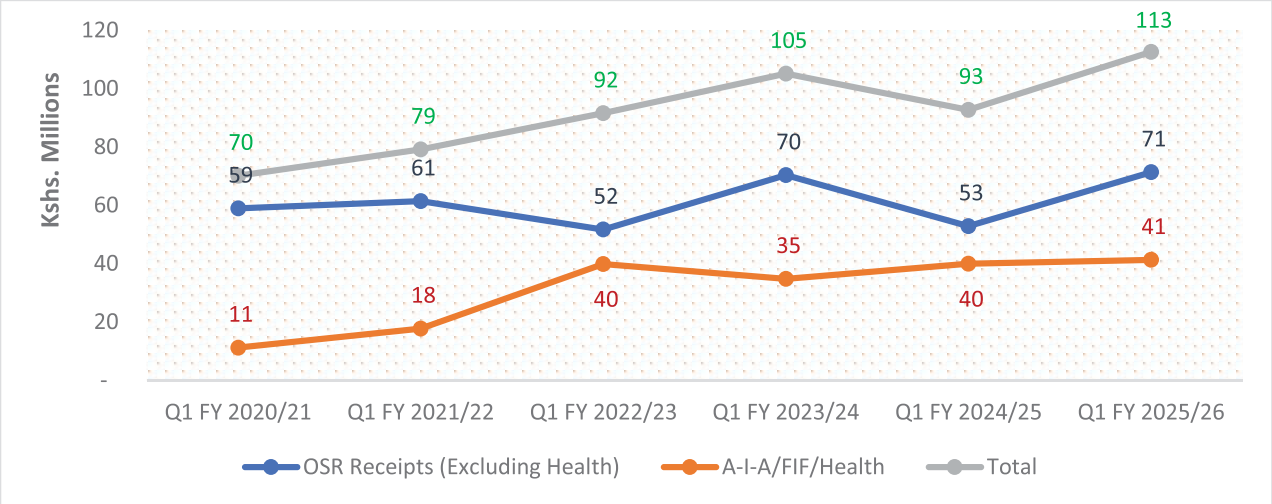


Source: *Taita Taveta County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 81 per cent, 11 per cent and 6 per cent, respectively, of the total receipts for the reporting period.

Figure 223 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 223: Taita Taveta County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



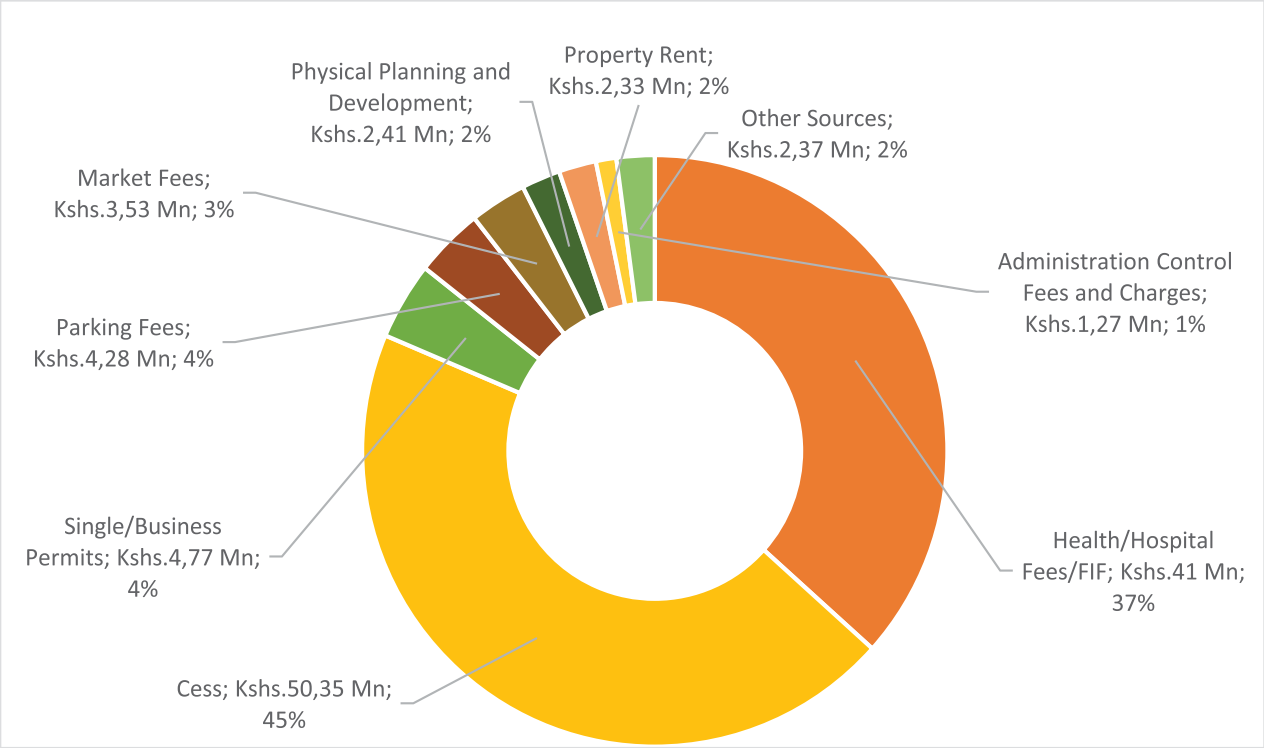
Source: *Taita Taveta County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.112.59 million from its revenue sources, including FIF. This amount was an increase of 21 per cent compared to Kshs.92.75 million realised in a similar period in FY 2024/25, which was 12 per cent of the annual target and 13 per cent of the equitable revenue share disbursed.

The increase was attributed to greater collection of the facility improvement funds and more aggressive mapping of local revenue collection avenues.

The revenue streams that contributed the most to OSR receipts are shown in Figure 224.

Figure 224: Taita Taveta County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Taita Taveta County Treasury

As shown in Figure 224, the highest revenue stream, at Kshs.50.35 million was from Cess accounting for 45 per cent of the total OSR receipts. The County Government indicated that it has not automated its revenue streams.

3.39.3 Revenue Arrears

As of 30th September 2025, the County reported revenue arrears of Kshs.489.64 million,

Table 3.446: Taita Taitaveta County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	**Equitable Share of Revenue Raised Nationally**					
1	Month of September 2025				**489,638,223**	**489,638,223**
	Sub-Total				**489,638,223**	**489,638,223**
Total					**489,638,223**	489,638,223

Source: Taita Taveta *County Treasury*

As of 30 September 2025, the revenue arrear of Kshs.489.64 million was for the equitable share allocation for September 2025.

3.39.4 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.544.33 million from the CRF account during the reporting period, which comprised Kshs.102.57 million (19 per cent) for development programmes and Kshs.441.76 million (81 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.368.99 million was towards employee compensation and Kshs.72.77 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 25 per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.18.32 million and included Kshs.0.92 million for the County Executive and Kshs.17.39 million for the County Assembly. There were no foreign exchequer request during this period of reporting.

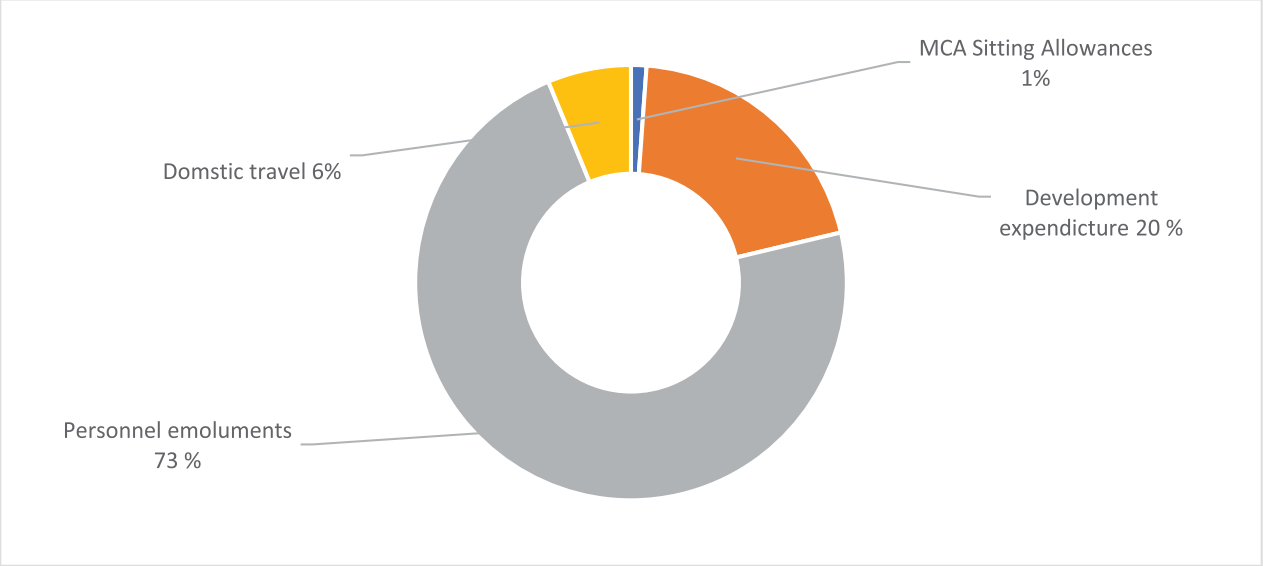
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.615.13 million.

3.39.5 Expenditure Review

The County spent Kshs.544.33 million on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It comprised Kshs.102.57 million for development programmes and Kshs.441.76 million for recurrent programmes. Expenditure on development programmes accounted for 4 per cent of the annual budget, while recurrent expenditure accounted for 9 per cent.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 225: Taita Taveta County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Taita Taveta County Treasury*

As shown in Figure 225, the three highest expenditure categories were personnel emoluments, development expenditure, and domestic travel, which accounted for 73 per cent, 20 per cent, and 6 per cent of total expenditure for the reporting period, respectively.

3.39.6 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs2.06 billion. This amount included Kshs.2.02 billion from the County Executive and Kshs.30.37 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.36 billion for recurrent expenditures and Kshs.653.06 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.102.57 million (100 per cent) for development programmes. On the other hand, the County Assembly settled trade payables

worth Kshs.16.06 million (100 per cent) for recurrent activities. The outstanding trade payables as of 30th September 2025 were Kshs.Kshs.2.12 billion for the County Executive and Kshs.22.31 million for the County Assembly. Table 3.447 provides additional details of trade payables.

Table 3.447: Taita Taveta County Trade Payables as of 30th September 2025

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	County Executive	653,062,038	1,364,444,813	2,017,506,851
	County Assembly	-	38,370,439	38,370,439
	Total	653,062,038	1,402,815,252	2,055,877,290
Amount paid in FY 2025/26	County Executive	102,568,378		102,568,378
	County Assembly		16,059,144	16,059,144
	Total	102,568,378	16,059,144	118,627,522
Trade Payables Incurred in FY 2025/26	County Executive	200,172,892		200,172,892
	County Assembly			-
	Total	200,172,892	-	200,172,892
Outstanding trade payables as of 30 September 2025 (Kshs.)	County Executive	750,666,552	1,364,444,813	2,115,111,365
	County Assembly		22,311,295	22,311,295
	Total	750,666,552	1,386,756,108	2,137,422,660

Source: *Taita Taveta County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.100 million and Kshs.29.22 million, respectively, in FY 2025/26. The County cleared Kshs102.57 million for the Executive and Kshs.16.06 million for the Assembly. The amount cleared exceeded the targeted amount in the trade payables payment action plan for the first quarter.

Table 3.448 and Table 3.449 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which totalled Kshs.2.14 billion.

Table 3.448: Taita Taveta County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	52,480,844	246,260,267	263,355,152	93,352,418	655,448,681
Recurrent Trade Payables (Goods & Services)	117,649,222	202,300,921	222,324,628	215,745,231	758,020,002
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)		25,114,101	695,905,357		721,019,458
Recurrent Trade Payables (Staff Claims)	1,314,350	105,400	1,514,770		2,934,520
Total Recurrent Trade Payables	118,963,572	227,520,422	919,744,754	215,745,231	1,481,973,980
Total Trade Payables	171,444,416	473,780,689	1,183,099,906	309,097,649	2,137,422,660
% of Total	**8**	**22**	**55**	**15**	**100**

Source: *Taita Taveta County Treasury*

Table 3.448 shows that 70 per cent of the Executive's payables are aged over two years. We urge the Executive to use FIFO in settling its liabilities.

Table 3.449: Taita Taveta County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables					
Recurrent Trade Payables (Goods & Services)		22,311,295			22,311,295
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)					
Recurrent Trade Payables (Staff Claims)					
Total Recurrent Trade Payables		22,311,295		-	22,311,295
Total Trade Payables	-	22,311,295	-	-	22,311,295

Source: *Taita Taveta County Treasury*

3.39.7 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.343.71 million for compensation of employees, Kshs.39.75 million for operations and maintenance, and Kshs.102.57 million for development activities. Similarly, the County Assembly spent Kshs.25.27 million on compensation of employees and Kshs.33.02 million on operations and maintenance as shown in Table 3.450.

Table 3.450: Taita Taveta County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**4,509,189,572**	**711,797,720**	**383,460,179**	**58,297,560**	**9**	**8**
Compensation of Employees	3,148,415,443	294,077,260	343,713,133	25,273,900	11	9
Operations and Maintenance	1,360,774,129	417,720,460	39,747,046	33,023,660	3	8
Development Expenditure	**2,543,004,904**	**85,000,000**	**102,568,378**		4	0
Total	**7,052,194,476**	**796,797,720**	**486,028,557**	**58,297,560**	**7**	**7**

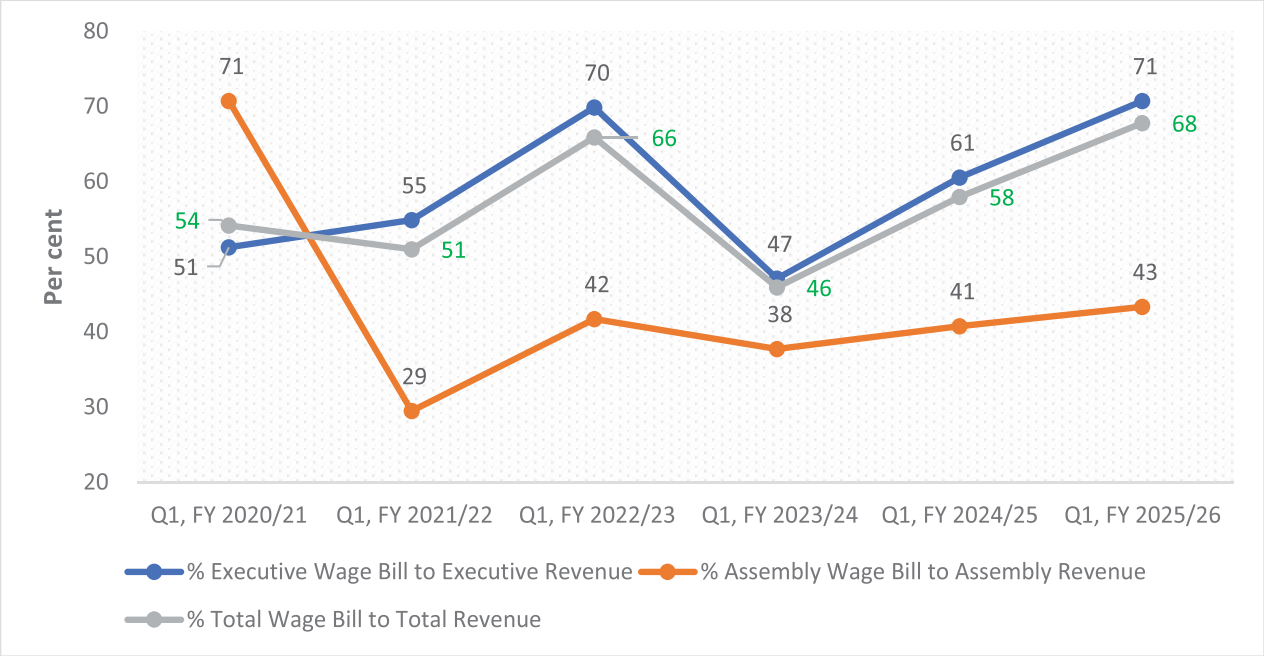
Source: *Taita Taveta County Treasury*

3.39.8 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.368.99 million. The compensation-to-revenue ratio was 33 per cent. This expenditure on employee compensation shows a decrease compared to the Kshs.559.74 million reported in a similar period in FY 2024/25. Of this total, Kshs.116.71 million was related to Health Sector employees, which accounted for 32 per cent of the overall employees' compensation. A decrease in employee compensation compared to a similar period in FY 2024/25 was attributed to the delay in paying September salaries for the current financial year.

Figure 226 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 226: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Taita Taveta County Treasury

As shown in Figure 226, the County Executive apportioned 71 per cent of its revenue in the first quarter of FY 2025/26 towards employee compensation, while the assembly apportioned 43 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis revealed that PE costs totalling Kshs.342.25 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.26.74 million was processed through manual payroll, which accounted for 7 per cent of the total PE cost.

The manual payroll comprised Kshs.3.48 million for staff not onboarded into the Human Resource Information System (HRIS), Kshs.1.45 million for top-up allowances for security personnel, Kshs.6.33 million for gratuity remittances to pension schemes for staff on contracts. Kshs.3.45 million for community health workers, Kshs.7.29 million for nurses withheld salaries and Kshs.4.73 million for KRA pay-as-you-earn deductions, as shown in Table 3.451.

Table 3.451: Breakdown of Taita Taveta County Manual Payroll

S/no.	Description of Manual Payroll	Amount (Kshs.)
1.	Salaries for staff paid outside the Human Resource Information System (HRIS)	3,483,846
2.	Top-up Allowances for security officers	1,452,700
3.	Gratuity for contract staff	6,325,411
4	Community Health Workers	3,450,420
5	Nurses Withheld Salaries	7,291,667
6	KRA	4,732,543
	Total	**26,736,588**

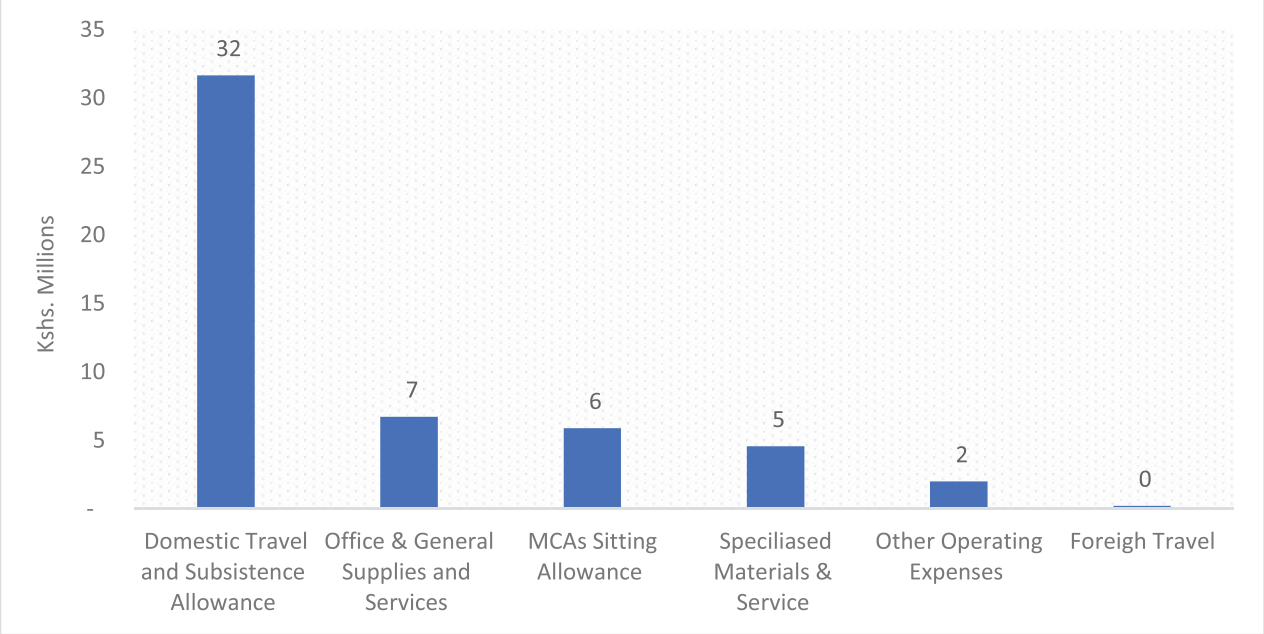
Source: Taita Taveta County Treasury

The County Assembly spent Kshs.5.89 million on committee sitting allowances for the 32 MCAs against the annual budget allocation of Kshs.8.24 million. The average monthly sitting allowance was Kshs.61,357 per MCA. The County Assembly has 23 House Committees.

3.39.9 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.72.77 million on operations and maintenance, representing an increase of 11 per cent compared to FY 2024/25, when the County spent Kshs.65.71 million. Figure 227 summarises the Operations and Maintenance expenditure by major categories.

Figure 227: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories



Source: *Taita Taveta County Treasury*

3.39.10 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.17.05 million to County-established funds in FY 2025/26, which is less than 1 per cent of the County's overall budget. Furthermore, the County allocated Kshs.10.00 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.452 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.452: Performance of Taita Taveta County Established Funds in the First Quarter of FY 2025/26

S/ No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1.	County Emergency Fund		10,000,000	-	-	-	Yes
2.	County Executive Mortgage and car Loan		5,000,000	-	-	-	Yes
3.	Taita Taveta County Education Fund Account		2,050,000	-	-	-	Yes
		County Assembly Established Funds					
1.	County Assembly Staff Car Loan & Mortgage		25,000,000				Yes
	Total		**42,050,000**	-	-	-	-

Source: *Taita Taveta County Treasury*

During the reporting period, the CoB did not incur any expenditures in the established funds.

3.39.11 County Corporations

The County has one Corporation i.e. the County Investments and Development Corporation which was allocated Kshs.5.35 million in FY 2025/26. There were no transfers made in the review period.

3.39.12 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.31.65 million and comprised Kshs.26.87 million spent by the County Assembly and Kshs.4.77 million by the County Executive. Expenditure on foreign travel amounted to Kshs.0.21 million and was incurred by the County Executive. Expenditure on foreign travel is summarised in Table 3.453.

Table 3.453: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Executive	1	Aug-25	Facilitation to attend Vaccinology Course in Kigali, Rwanda	Kigali	211,970
Total					**211,970**

Source: Taita Taveta County Treasury and County Assembly

3.39.13 Facility Improvement Financing

During the review period, the County reported collections of Kshs.41.27 million as FIF, which was 15 per cent of the annual target of Kshs.280.00 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

The expenditure by health facilities amounted to Kshs.41.27 million, as shown in Table 3.454.

Table 3.454: Taita Taveta County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 4 Hospital (FIF)	4	276,000,000	18,733,723	7
	Total		**276,000,000**	**18,733,723**	7

Source: *Taita Taveta County Treasury*

3.39.14 Development Expenditure

In the review period, the County reported spending Kshs.102.57 million on development programmes, representing a decrease of 3 per cent compared to FY 2024/25, when the County spent Kshs.106.00 million.

The Kshs.102.57 development expenditure was incurred entirely towards the payment of trade payables. No development projects were implemented during the reporting period.

3.39.15 Budget Performance by Department

Table 3.455 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.455: Taita Taveta County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	711.80	85.00	58.30	-	58.30	-	100	-	8.2	-
Public Service and Administration	320.79	410.00	21.95	-	21.95	-	100	-	6.8	-

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of The Governor	237.69	-	31.01	-	31.01	-	100	-	13	-
Finance and Planning	392.91	210.00	48.95	102.57	48.95	102.57	100	100	12.5	48.8
Agriculture, Livestock, and Fisheries	216.16	185.52	16.22	-	16.22	-	100	-	7.5	-
Water and Irrigation	113.39	1,020.92	6.14	-	6.14	-	100	-	5.4	-
Education and Libraries	524.94	122.10	40.07	-	40.07	-	100	-	7.6	-
Health	2,421.47	120.03	194.66	-	194.66	-	-	-	-	-
Trade, Tourism and Co-operative Development	48.02	16.50	4.36		4.36	-	-	-	-	-
County Public Service Board	50.38	-	5.56	-	5.56	-	-	-	-	-
Infrastructure and Public Works	57.38	224.69	4.28		4.28	-	-	-	-	-
Land, Environment and Natural Resources	42.23	16.00	5.31	-	5.31	-	100	-	12.6	-
Youth, Gender, Sports, Culture and Social Services	47.61	139.24	3.62	-	3.62	-	100	-	7.6	-
Mwatate Municipality	9.80	56.00	1.32	-	1.32	-	100	-	13.4	-
Voi Municipality	14.16	12.00	-	-	-	-	-	-	-	-
Taveta Municipality	12.26	10.00	-		-	-	-	-	-	-
Total	5,220.99	2,628.00	441.76	102.57	441.76	102.57	100	100	8.5	3.9

***Source**: Taita Taveta County Treasury*

Analysis of expenditure by departments shows that the Department of Finance recorded the highest absorption rate of development budget at 49 per cent. The Department of Mwatate Municipality had the highest recurrent expenditure-to-budget ratio at 13 per cent, while the Department of Water & Irrigation had the lowest at 5 per cent.

The non-absorption of funds in some departments was attributed to delays in disbursements from the National Treasury, in line with the established equitable share release schedule.

3.39.16 Budget Execution by Programmes and Sub-Programmes

The sub-programmes with the highest levels of budget implementation based on absorption rates were: Legislation and oversight representation in the Department of County Assembly at 30 per cent, general administration & support services in the Department of County Assembly at 28 per cent, and general administration & support services in the Department of Trade at 27 per cent of the budget allocation.

3.39.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 37 accounts with commercial banks, including seven accounts for Health Facilities, two accounts for Vocational Training Centres, four accounts for Established Funds, five revenue

accounts, eight special-purpose accounts (additional allocations), four imprest accounts, six recurrent operational accounts, and one development operational account.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening all commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.39.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.71.32 million against an annual target of Kshs.669.60 million, representing 11 per cent of the financial year target.
ii. Low development performance in the review period as the County incurred Kshs102.57 million on development activities, achieving a 4 per cent absorption rate.
iii. High level of trade payables, which amounted to Kshs.2.14 billion as of 30 September 2025. Further, the County Treasury failed to adhere to the payment plan for trade payables.
iv. Use of manual payroll. Personnel emoluments amounting to Kshs.26.74 million for staff not onboarded to the HRIS accounted for 7 per cent of total payroll costs. Manual payroll is prone to abuse and may result in the loss of public funds.
v. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
iv. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
v. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.40. County Government of Tana River

3.40.1 Overview of FY 2025/26 Budget

The Tana River County Approved Budget for FY 2025/26 is Kshs.9.96 billion. It comprises Kshs.4.32 billion (43 per cent) and Kshs.5.64 billion (57 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.655.36 million (7 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.3.64 billion and a recurrent budget of Kshs.5.67 billion. The increase in the budget was primarily attributed to the rise in equitable share.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.7.22 billion (72 per cent), additional allocations of Kshs.1.66 billion (17 per cent), a cash balance of Kshs.878.06 million (9 per cent) brought forward from FY 2024/25, and Kshs.200.42 million (2 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.456.

3.40.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.06 billion in revenue. This amount represented an increase of 17 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.76 billion. The total revenue consisted of Kshs.1.15 billion from the equitable share of revenue raised nationally, own-source revenue (OSR) collection of Kshs.24.09 million. Additionally, the County had a cash balance of Kshs.878.06 million from FY 2024/25. The total OSR collection of Kshs.24.09 million included Facilities Improvement Financing (FIF) of Kshs.814,356, and Kshs.23.28 million from other OSR sources. Table 3.456 summarises the total revenue available to the County Government during FY 2025/26.

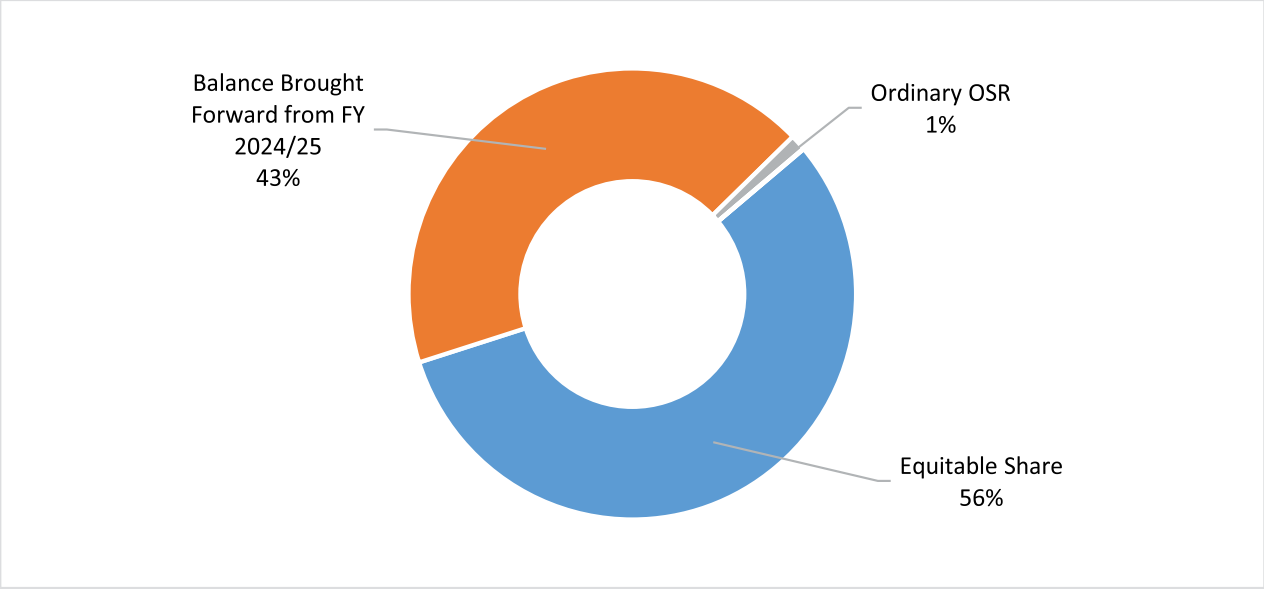
Table 3.456: Tana River County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	7,222,474,730	1,157,899,036	16
Sub-Total	**7,222,474,730**	**1,157,899,036**	**16**
B. Additional Allocations			
DANIDA (Universal Healthcare in Devolved System Program)	13,181,250	-	-
National Agricultural Value Chain Development Project (NAVCDP)		-	-
Food Systems Resilience Project (FSRP)	244,046,795	-	-
Kenya Agribusiness Development Programme	-	-	-
Second Kenya Devolution Support Program (KDSP II) - Institutional Grant (Level 1 Grant)	37,500,000	-	-
Second Kenya Devolution Support Program (KDSP II) - Service Delivery and Investment Grant (Level 2 Grant)	352,500,000	-	-
Financing Locally-Led Climate Action (FLLoCA) - County Climate Institutional Support (CCIS)	-	-	-
Financing Locally-Led Climate Action (FLLoCA) - County Climate Resilience Investment (CCRI)	150,000,000	-	-
Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG)	35,000,000	-	-
Kenya Urban Support Project (KUSP) - UrbanDevelopment Grant (UDG)	100,000,000	-	-
Kenya Water Sanitation and Hygiene Program (K-WASH)	129,150,000	-	-
Supplement for Construction of County Headquarters	134,330,205	-	-
Aggregated Industrial Parks Programme	250,000,000	-	-
Community Health Promoters (CHPs)	28,200,000	-	-
Road Maintenance Fuel Levy (RMFL)	190,000,000	-	-
Sub-Total	1,663,908,250	-	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	200,419,681	23,275,531	12
i. Balance b/f from FY2024/25	**878,065,130**	**878,065,130**	**100**
Balance at CRF as of End of FY 2024/25	877,870,357	877,870,357	100
County Executive Refund to CRF	190,769	190,769	100
County Assembly Refund to CRF	4,004	4,004	100
ii. Facility Improvement Fund (FIF)	**4,352,510**	**814,356**	**19**
FIF	4,352,510	814,356	19
Sub-Total Other Sources	**1,082,837,321**	**902,155,017**	**83**
Grand Total	**9,969,220,301**	**2,060,054,053**	**21**

Source: *Tana River County Treasury*

The County does not have governing legislation on the operation of FIF. Figure 228 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 228: Tana River County Composition of Each Shilling Received in the First Quarter of FY 2025/26

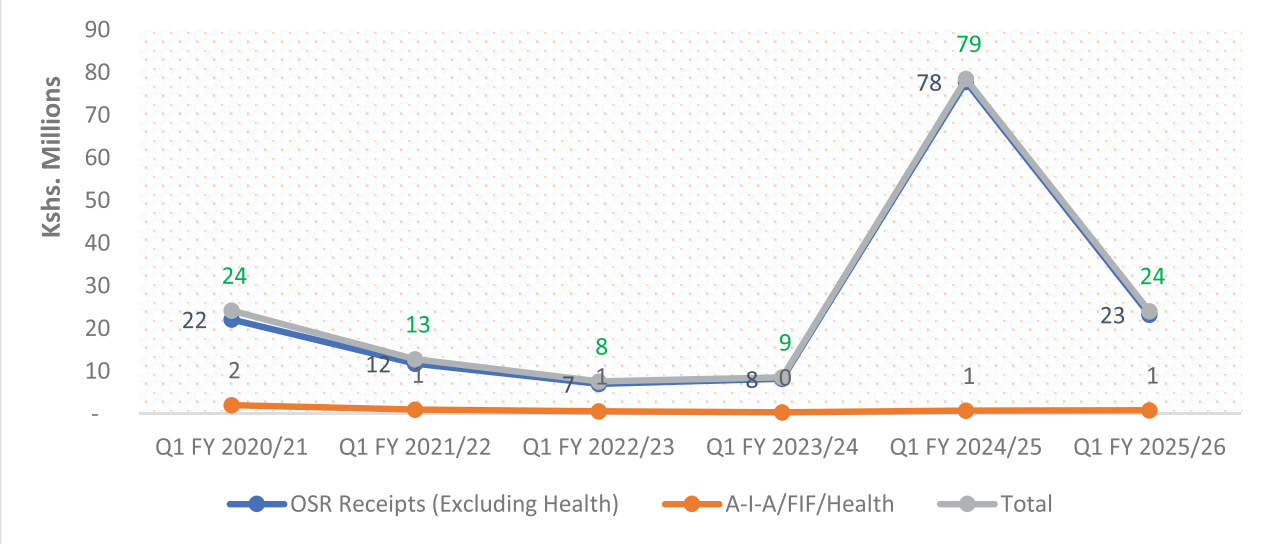


Source: *Tana River County Treasury*

The equitable share of revenue raised nationally contributed 56 per cent, the balance brought forward 43 per cent, and the OSR 1 per cent of the total receipts for the report.

Figure 229 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 229: Tana River County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

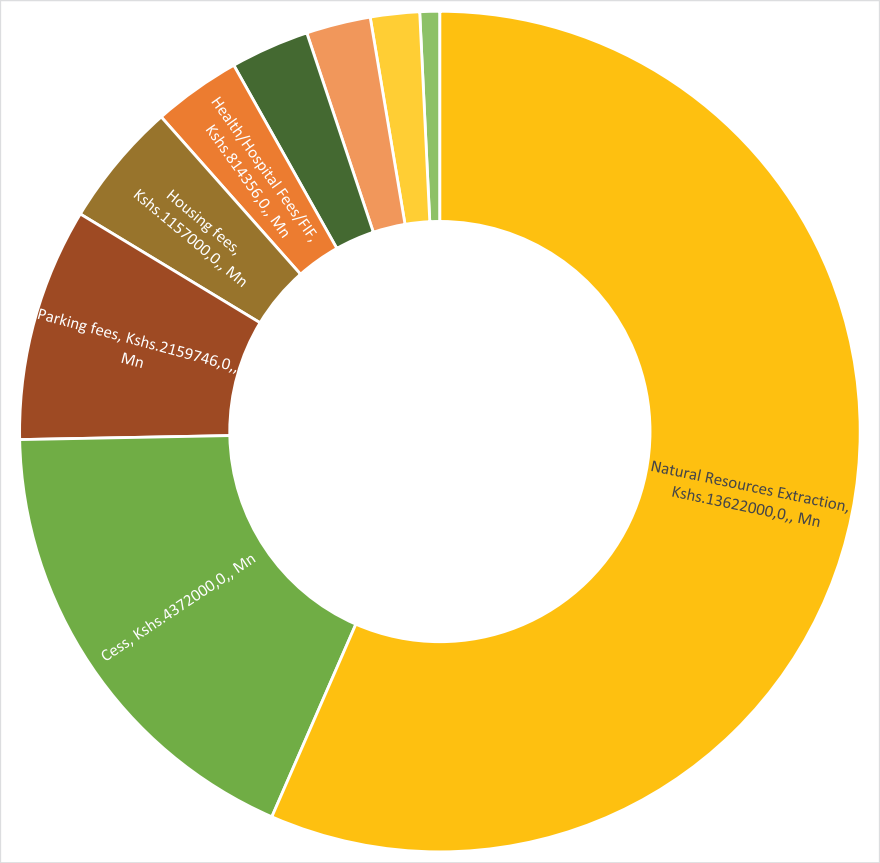


Source: *Tana River County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.24.09 million from its revenue sources, including FIF. This amount was a decrease of 69 per cent compared to Kshs.78.50 million realised in a similar period in FY 2024/25, and was 12 per cent of the annual target and 2 per cent of the equitable revenue share disbursed. The decrease in OSR was attributed to the failure to automate revenue collection, resulting in OSR leakage caused by the manual collection method.

The revenue streams that contributed the most to OSR receipts are shown in Figure 230.

Figure 230: Tana River County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Tana River County Treasury

As shown in Figure 230, the highest revenue stream, at Kshs.13.62 million, was from the extraction of natural resources, accounting for 57 per cent of the total OSR receipts. The County Government has not yet automated revenue collection.

3.40.3 Revenue Arrears

As of 30 September 2025, the County did not report any revenue arrears.

3.40.4 Borrowing by the County

Tana River County Executive and Assembly did not report any credit facility during the period under review.

3.40.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.439.85 million from the CRF account during the reporting period and accounted for recurrent programmes only. Analysis of the recurrent exchequers released indicates that Kshs.404.88 million was towards employee compensation and Kshs.34.97 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 71 per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.24.97 million for the County Assembly. There was no foreign travel exchequer requisition during the period under review.

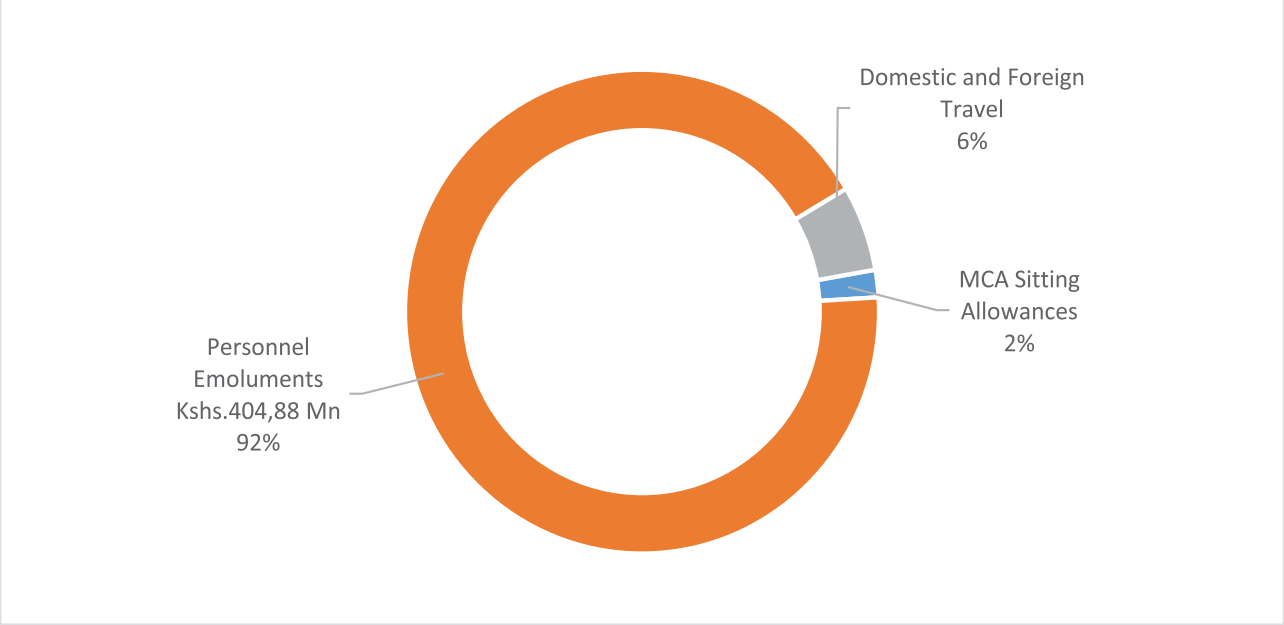
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs1.30 billion.

3.40.6 Expenditure Review

The County spent Kshs.439.85 million on recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. Expenditure on recurrent programmes accounted

for 8 per cent of the recurrent budget. The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 231: Tana River County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Tana River *County Treasury*

As shown in Figure 231, the three highest expenditure categories were Personnel emoluments, Domestic Travel allowances for the County Assembly, and MCAs' Sitting allowance, which accounted for 93 per cent, 6 per cent, and 2 per cent of total expenditure for the reporting period, respectively.

3.40.7 Settlement of Trade Payables

As of 1st July 2025, the County reported Trade Payables totalling Kshs.2.35 billion from the County Executive. The Trade Payables from the County Executive consisted of Kshs.1.29 billion for recurrent expenditures and Kshs.1.06 billion for development expenditures. The County Assembly did not report any Trade Payables.

During the reporting period, the County Executive did not settle any Trade Payables. The outstanding Trade Payables as of 30th September 2025 were Kshs.2.35 billion for the County Executive. Table 3.457 provides additional details of Trade Payables.

Table 3.457: Tana River County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	1,060,063,811	1,293,183,475	**2,353,247,286**
		County Assembly	-	-	-
		Total	1,060,063,811	1,293,183,475	**2,353,247,286**
Outstanding Trade Payables as of 30 September 2025	e=a-c*b	**County Executive**	1,060,063,811	1,293,183,475	2,353,247,286
		County Assembly	-	-	-
		Total	**1,060,063,811**	**1,293,183,475**	**2,353,247,286**

Source: *Tana River County Treasury*

The County Executive and the County Assembly did not submit a Trade Payables payment plan.

Table 3.458 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.2.35 billion.

Table 3.458: Tana River County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**350,497,721**	**331,642,403**	**156,519,320**	**221,404,367**	**1,060,063,811**
Recurrent Trade Payables (Goods & Services)	444,104,431	189,460,973	376,622,827	282,995,244	**1,293,183,475**
Total Recurrent Trade Payables	444,104,431	189,460,973	376,622,827	282,995,244	**1,293,183,475**
Total Trade Payables	**794,602,152**	**521,103,376**	**533,142,147**	**504,399,611**	**2,353,247,286**

Source: *Tana River County Treasury*

The Executive are reminded to submit a trade payables payment plan. The plan should be FIFO basis.

3.40.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.358.85 million for compensation of employees only. The County Assembly spent Kshs.46.03 million on compensation of employees, and Kshs.34.97 million on operations and maintenance as shown in Table 3.459.

Table 3.459: Tana River County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,059,036,132**	**580,218,891**	**358,845,832**	**81,004,107**	**7**	**14**
Compensation to Employees	2,417,751,400	304,745,529	358,845,832	46,034,042	15	15
Operations and Maintenance	2,641,284,732	275,473,362	-	34,970,065	0	13
Development Expenditure	**3,884,454,744**	**441,158,025**	-	-	**0**	**0**
Total	**8,943,490,876**	**1,021,376,916**	**358,845,832**	**81,004,107**	**4**	**8**

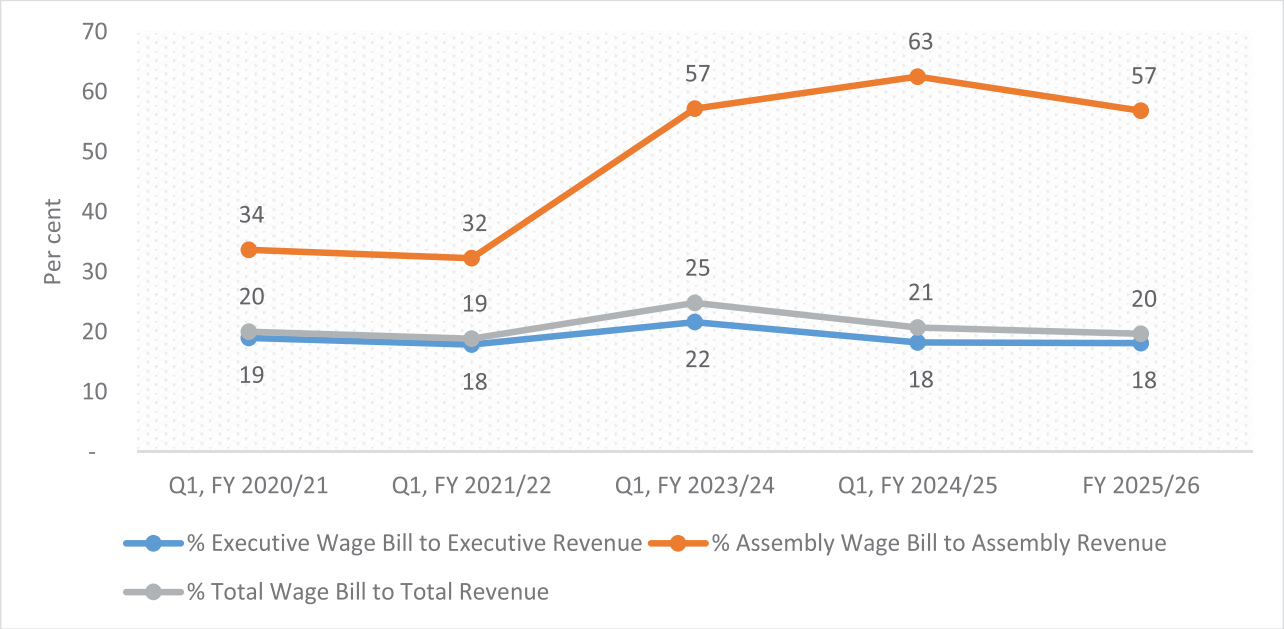
Source: *Tana River County Treasury*

3.40.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.404.88 million. The compensation-to-revenue ratio was 20 per cent. This expenditure on employee compensation shows an increase compared to the Kshs.364.93 million reported in a similar period in FY 2024/25. Of this total, Kshs.198.06 million related to the Health Sector employees, which accounted for 49 per cent of the overall employees' compensation.

Figure 232 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 232: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Tana River County Treasury

As shown in Figure 232, the County Assembly apportioned 57 per cent of its first-quarter FY 2025/26 revenue to compensation of employees, while the Executive allocated 20 per cent.

Further analysis indicated that PE costs amounting to Kshs.393.38 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.11.50 million was processed through manual payroll, which accounted for 3 per cent of the total PE cost.

The manual payroll comprised salaries for Community Health workers as shown in Table 3.18.

Table 3.460: Breakdown of Tana River County Manual Payroll

	Category	County Executive	County Assembly	Total
1	Community Health Workers	11,499,568	-	11,499,568
	Total	**11,499,568**	**-**	**11,499,568**

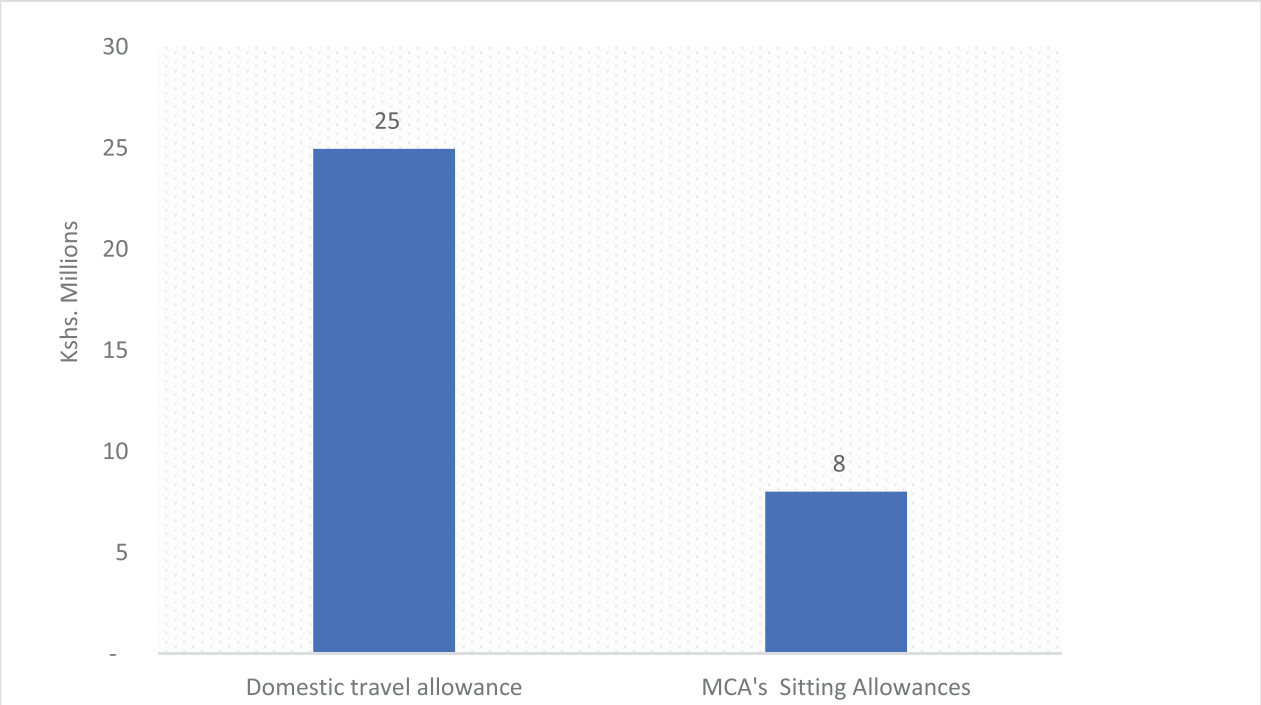
Source: Tana River County Treasury

The County Assembly spent Kshs.8.02 million on committee sitting allowances for the 27 MCAs against the annual budget allocation of Kshs.34.61 million. The average monthly sitting allowance was Kshs.99,044 per MCA. The County Assembly has 20 House Committees.

3.40.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.34.97 million on operations and maintenance, representing a decrease of 8 per cent compared to FY 2024/25, when the County spent Kshs.38.37 million. Figure 233 summarises the Operations and Maintenance expenditure by major categories.

Figure 233: Tana River County, Operations and Maintenance Expenditure by Major Categories



Source: *Tana River County Treasury*

3.40.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.752.13 million to County-Established funds in FY 2025/26, or 7 per cent of the County's overall budget. Further, the County allocated Kshs.179.07 million to the Emergency Fund (2 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.461 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.461: Performance of Tana River County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in the First Quarter FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund	Submission of First Quarter Financial Statements (Yes/No.)
County Executive Established Funds							
1.	Emergency Fund	2020	179,066,825	-	-		YES
2.	Disaster Risk Management Fund	2021	249,066,825	-	-		YES
3.	C. E Car Loan & Mortgage Fund	2018	50,000,000	-	-		YES
4.	Bursary Fund	2014	274,000,000	-	-		YES
County Assembly Established Funds							
5.	C. A Car Loan & Mortgage Fund	2014	-	0	0		YES
	Total		**752,133,650**	-	-		

Source: *Tana River County Treasury*

During the reporting period, the CoB received all the quarterly financial reports from the 5 Fund Administrators, as indicated in Table 3.461, as required by Section 168 of the PFM Act, 2012. The County disclosed that the administration costs of the five Funds were within the 3 per cent limit of the Fund budget set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **Bursary and Scholarship Fund and the County Assembly Car loan &Mortgage Funds** had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.40.12 County Corporations

The County has one County corporation which was allocated Kshs.28million in FY 2025/26. There was no expenditure during the period under review as shown in Table 3.462.

Table 3.462: Performance of Tana River County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Parent Department	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in the First Quarter FY 2025/26 (Kshs)	Actual Expenditure in the First Quarter FY 2025/26 (Kshs.)
1.	Tana River Water and Sanitation Company (TAWASCO)	Water, Energy, Mining, Forestry and Natural Resources	28,000,000	0	0
	Total		**28,000,000**	**0**	**0**

Source: *Tana River County Treasury*

3.40.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.24.97 million spent by the County Assembly. There was no expenditure on Foreign travel during the period under review.

3.40.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.814,356 as FIF, which was 19 per cent of the annual target of Kshs.4.35 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has, however, not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the Health facilities amounted to Kshs.999.000, as shown in Table 3.463.

Table 3.463: Tana River County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	0	-	-	0%
2.	Level 4 Hospital	3	63,370,000	-	0%
3.	Level 3 Facility	3	11,752,704	-	0%
4.	Level 2 Facility	47	29,739,698	999,000	3%
	Total	**53**	**104,862,402**	**999,000**	**1%**

Source: *Tana River County Treasury*

3.40.15 Development Expenditure

In the review period, the County reported nil expenditure on development programmes. A similar performance was observed in a similar period in FY 2024/25.

3.40.16 Budget Performance by Department

Table 3.464 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.464: Tana River County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Mn)		Exchequer Issues (Kshs.Mn)		Expenditure (Kshs.Mn)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	580.22	441.16	81.00	0.00	81.00	-	100	-	14	-
Office of The Governor and Deputy Governor	422.27	-	17.06	0.00	17.06	-	100	-	4	-
Finance and Planning	482.02	629.42	-	-	-	-	-	-	-	-
County Public Service Board	88.17	-	7.72	0.00	7.72	-	100	-	9	-
Trade, Tourism, Wildlife and Cooperative Development	53.60	265.00	-	-	-	-	-	-	-	-
Agriculture, Livestock, Fisheries and Veterinary	155.70	470.67	-	-	-	-	-	-	-	-
Culture, gender, Youth, Sports and Social Services	58.18	52.00	-	-	-	-	-	-	-	-
Education and Vocational Training	47.11	444.00	-	-	-	-	-	-	-	-
Medical Services, public Health and sanitation	1,589.08	120.00	198.06	0.00	198.06	-	100	-	12	-
Special program	261.70	-	-	-	-	-	-	-	-	-
Roads, Transport, Public works, Housing and Urbanisation	100.15	849.29	-	-	-	-	-	-	-	-
Water, Energy, Mining, Forestry and Natural Resources	47.29	257.83	-	-	-	-	-	-	-	-
Public Service, Administration and Citizen Participation	1,585.21	388.60	136.01	0.00	136.01	-	100	-	9	-
Lands and Physical Planning	39.59	50.00	-	-	-	-	-	-	-	-
Hola Municipality	83.01	120.00	-	-	-	-	-	-	-	-
Environment and Climate Change	45.95	237.64	-	-	-	-	-	-	-	-
Total	**5,639.26**	**4,325.61**	**439.85**	**0.00**	**439.85**	**-**	**100**	**-**	**8**	**-**

Source: *Tana River County Treasury*

Analysis of expenditure by departments shows that all Departments recorded a nil absorption rate of development budget. The County Assembly had the highest percentage of recurrent expenditure to budget at 14 per cent, followed by the Department of Medical Services and Public Health at 12 per cent.

3.40.17 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Ethics, governance and compliance in the Department of County Public Service Board at 46per cent, Hola municipality program in the Department of Hola Municipality at 41 per cent, Human resource and development in the Department of County Public Service Board at 37 per cent, and Drought management program in the department of Special Programs at 35 per cent of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.40.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 58 accounts in commercial banks, including 42 accounts for Health Facilities, one account for Vocational Training Centres, four accounts for Established Funds, one revenue account, and ten special-purpose accounts (for additional allocations).

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 58 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.40.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The underperformance of own-source revenue at Kshs.24.09 million against an annual target of Kshs.200.42 million, representing 12 per cent of the financial year target.
ii. Low development performance in the review period, as the County incurred nil on development activities.
iii. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Bursary and Scholarship Fund and the County Assembly Car Loan & Mortgage Fund had lapsed, making them ineligible for further withdrawals.
iv. High level of Trade Payables, which amounted to Kshs.2.35 billion as of 30 September 2025. Furthermore, the County Treasury failed to submit the payment plan for the Trade Payables.
v. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
ii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iii. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
iv. *The County Leadership should address the situation of Trade Payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
v. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.41. County Government of Tharaka Nithi

3.41.1 Overview of FY 2025/26 Budget

The Tharaka Nithi County's Approved Budget for FY 2025/26 is Kshs.6.77 billion. It comprises Kshs.2.51 billion (37 per cent) and Kshs.4.26 billion (63 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.288 million (4 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.38 billion and a recurrent budget of Kshs.4.10 billion. The marginal increase in the budget was primarily attributed to the rise in equitable share and own source revenue.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.4.59 billion (68 per cent), additional allocations of Kshs.1.60 billion (24 per cent) and Kshs.585.40 million (9 per cent) generated as own-source revenue. The budget did not factor in funds carried over from the previous financial year of 2024/25. A breakdown of the additional allocations is shown in Table 3.465.

3.41.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.07 billion in revenue. This amount represented an increase of 17 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.908.20 million. The total revenue consisted of Kshs.778.62 million from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.82.59 million. Additionally, the County had a cash balance of Kshs.205.32 million from FY 2024/25. The total OSR collection of Kshs.82.59 million included Facilities Improvement Financing (FIF) of Kshs.43.85 million, and Kshs.38.64 million from other OSR sources. The County did not receive any additional allocations from the national government and development partners. Table 3.465 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.465: Tharaka Nithi County, Revenue Performance in FY 2025/26

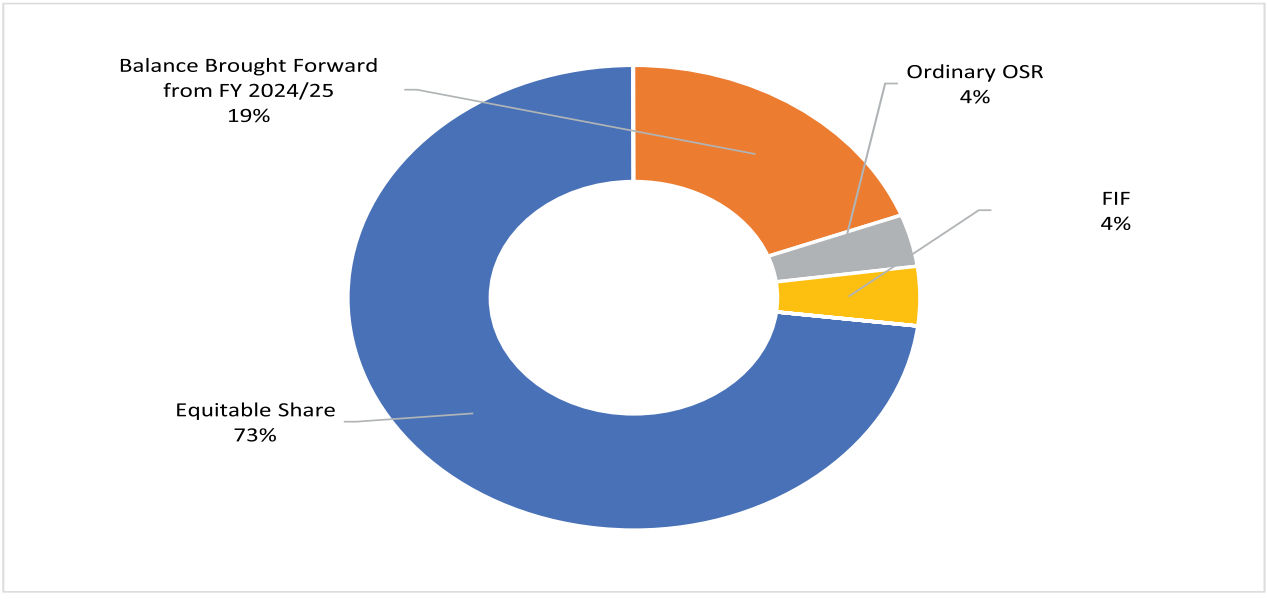
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Received (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	4,587,150,462	778,621,028	17%
	Subtotal	**4,587,150,462**	**778,621,028**	**17%**
B	**Additional Allocations**			
1	Danida	6,045,000	-	-
2	Other Conditional Grants/CHP National Grant	32,703,317	-	-
3	Supplement of Construction	47,981,059	-	-
4	National Agricultural Value Chain Development Project (NAVCDP	231,249,281	-	-
5	Financing Locally – Led Climate Action (FLLOCA)	176,000,000	-	-
6	World Bank – Kenya Water, Sanitation & Hygiene (Performance for Results)	350,000,000	-	-
7	Aquaculture Business Development Programme	15,810,384	-	-
8	Aggregated Industrial Parks Programme	150,000,000	-	-
9	Kenya Devolution Support Program - Level II	352,000,000	-	-
10	Kenya Devolution Support Program – Level I	37,500,000	-	-
11	Kenya Urban Support Program II – Urban Institutional Grant (KUSP II – UIG)	36,750,000	-	-
12	Road Maintenance Levy	161,810,687	-	-
Subtotal		**1,597,849,728**	-	-
C	**Ordinary Own Source Revenue (OSR)**			
1	Single Business Permit	90,000,000	7,011,924	8%
2	Cess Fees	60,000,000	15,961,355	27%
3	Barter Market / Entrance Fee / Slaughter Fees	25,000,000	3,787,391	15%
4	Liquor License	25,000,000	1,340,000	5%

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Received (Kshs.)	Performance (%)
5	Parking Fees	22,000,000	2,806,460	13%
6	Technical Services	10,000,000		0%
7	Veterinary services	9,200,000	1,733,870	19%
8	Livestock and Agriculture Produce Cess	9,000,000	323,915	4%
9	Plot / Land Rates & Rents and Stand Premium	6,000,000	1,293,737	22%
10	Plan Approval fees	6,000,000	2,211,588	37%
11	Transfer application & adjudication	5,000,000	816,146	16%
12	Administration Fees and Charges	5,000,000	83,986	2%
13	Rent / Lease County Houses and Stalls	3,000,000	919,977	31%
14	Land and Rate	2,000,000		0%
15	Tourism (Mt. Kenya Lodge)	1,000,000	201,000	20%
16	Miscellaneous	1,000,000	87,000	9%
17	Penalties	400,000	57,900	14%
18	Cooperative services	200,000	-	0%
19	Fire inspection	200,000	-	0%
Subtotal		**280,000,000**	**38,636,249**	**14%**
F	**Facility Improvement Fund (FIF)**			
1	Hospital Fees	305,400,000	43,854,799	14%
Subtotal		**305,400,000**	**43,854,799**	**14%**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF		203,810,744	
2	County Executive Refunds to CRF		1,511,750	
3	County Assembly Refunds to CRF		1,953	
Subtotal			**205,324,447**	
Grand Total		**6,770,400,190**	**1,066,436,523**	**16%**

Source: ***Tharaka Nithi*** *County Treasury*

The County does not have governing legislation on the operation of ordinary A-I-A and FIF. Figure 234 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

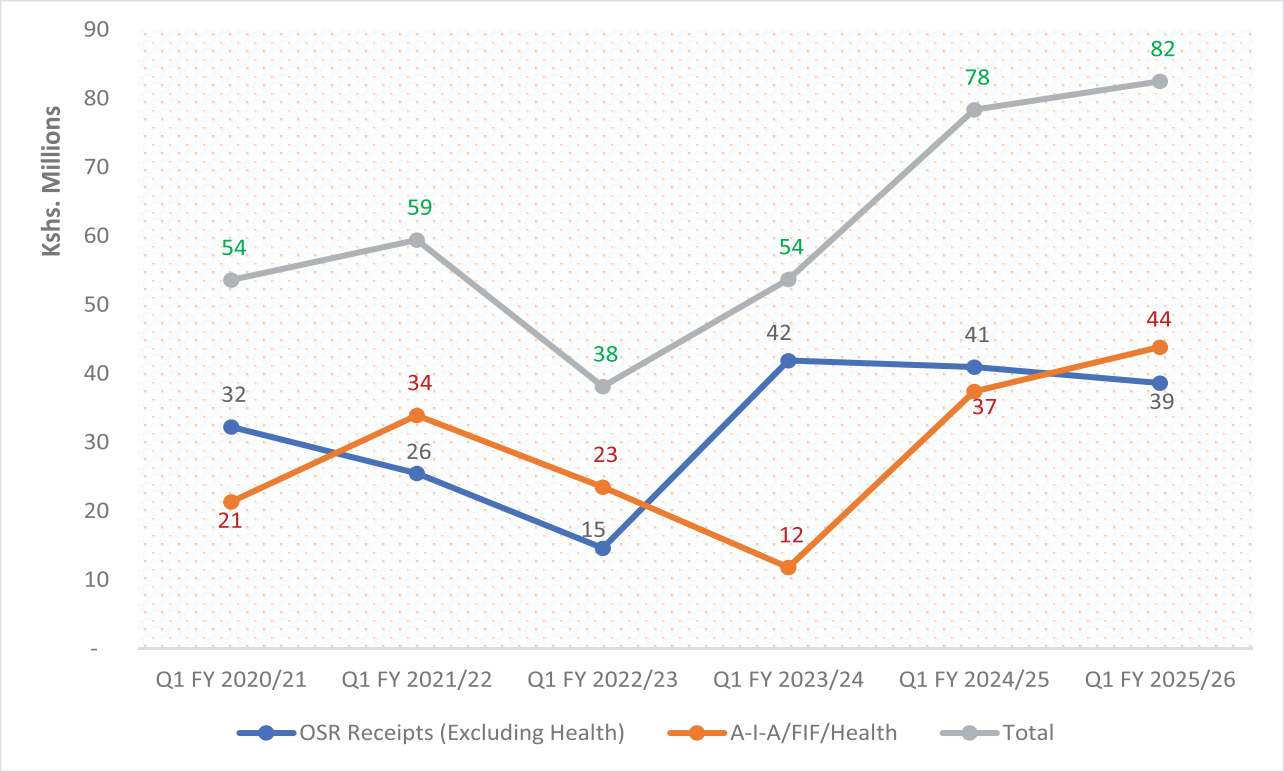
Figure 234: Tharaka Nithi County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Tharaka Nithi County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 73 per cent, 19 per cent and 4 per cent, respectively, of the total receipts for the reporting period. Figure 235 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 235: Tharaka Nithi County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

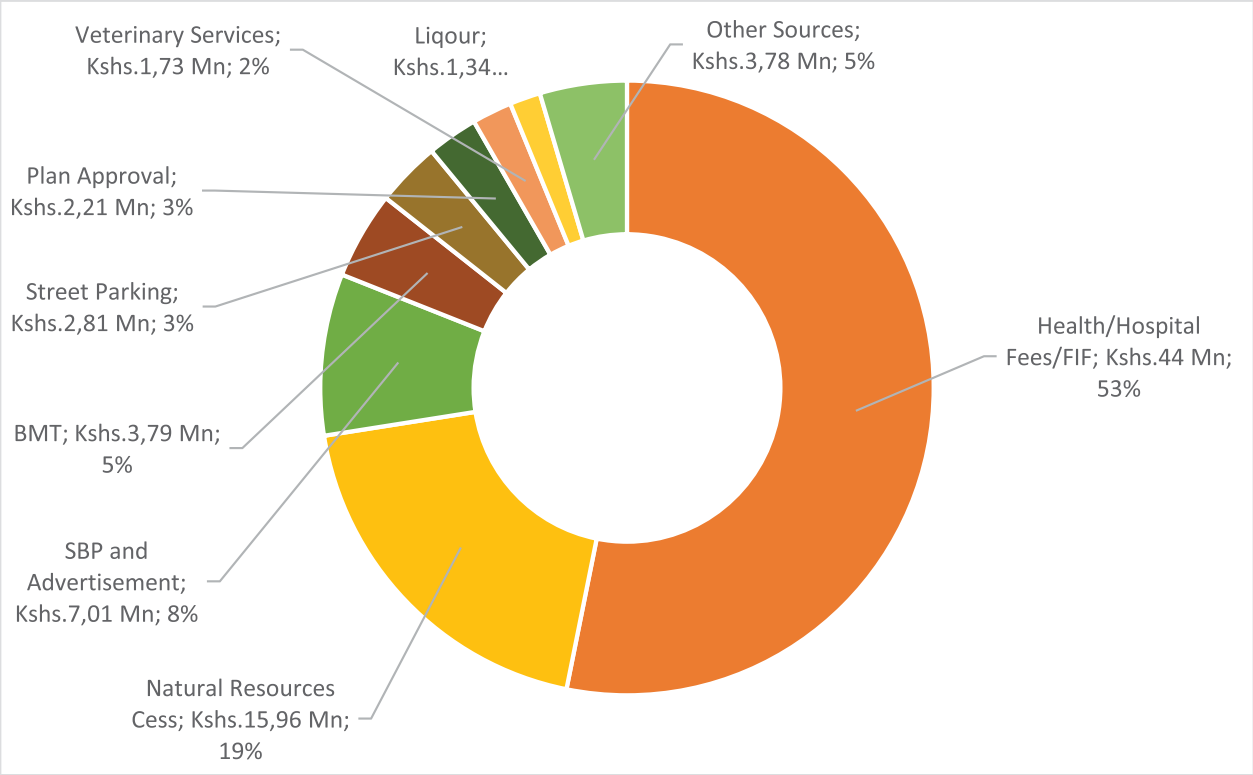


Source: *Tharaka Nithi County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.82.59 million from its revenue sources, including FIF. This amount was an increase of 5 per cent compared to Kshs.78.35 million realised in a similar period in FY 2024/25, and was 14 per cent of the annual target and 11 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to a more aggressive, more organised approach to collecting the FIF in hospitals. The revenue streams that contributed the most to OSR receipts are shown in Figure 236.

Figure 236: Tharaka Nithi County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Tharaka Nithi County Treasury

As shown in Figure 236, the highest revenue stream, at Kshs.43.85 million, was from the Facility Improvement Fund (FIF), accounting for 53 per cent of the total OSR receipts. The County Government indicated that it has automated 16 of 19 revenue streams.

3.41.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.137.53 million, this amount decreased to Kshs.115.25 million as of 30th September 2025. Table 3.466 presents a breakdown of the County's revenue arrears.

Table 3.466: Tharaka Nithi County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
D	**Ordinary Own Sources of Revenue**					
1	Plot Rent	57,762,492.00	-	1,293,737.00		56,468,755.00
2	County Houses	1,462,556.00	-	373,650.00		1,088,906.00
3	Market Stalls	833,250.00	-	747,327.00		85,923.00
	Sub-Total	**60,058,298.00**	**-**	**2,414,714.00**		**57,643,584.00**
E	**Facility Improvement Fund (FIF)**					
1	National Hospital Insurance Fund(NHIF)	22,075,535.00	-	-		22,075,535.00
2	Social Health Insurance Fund (SHIF)	54,382,260.00	-	19,781,202.00		34,601,058.00
3	AON Insurance	1,011,000.00	-	84,125.00		926,875.00
	Sub-Total	**77,468,795.00**	**-**	**19,865,327.00**		**57,603,468.00**

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
Total		137,527,093.00	-	22,280,041.00	-	115,247,052.00

Source: *Tharaka Nithi County Treasury*

As of 30 September 2025, the revenue arrears totalled Kshs.115.25 million, comprising Kshs.57.64 million for ordinary own sources of revenue (50 per cent) and Kshs.57.60 million for the Facility Improvement Fund (FIF), representing 50 per cent. The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include stricter enforcement measures and continued digitisation of revenue collection.

3.41.4 Borrowing by the County

The Tharaka Nithi County Executive and Assembly have no credit facilities with banks

3.41.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.568.92 million from the CRF account during the reporting period, which comprised Kshs.64.86 million (11 per cent) for development programmes and Kshs.504.06 million (89 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.445.01 million was towards employee compensation and Kshs.59.05 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 24 per cent was for domestic travel and 1 per cent for foreign travel. The domestic travel exchequer amounted to Kshs.14.22 million and included Kshs.2.57 million for the County Executive and Kshs.11.65 million for the County Assembly. The foreign exchequer totalled Kshs.0.75 million, the entire amount being by the County Assembly. The County Executive did not incur expenditure on foreign travel.

As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.445.17 million.

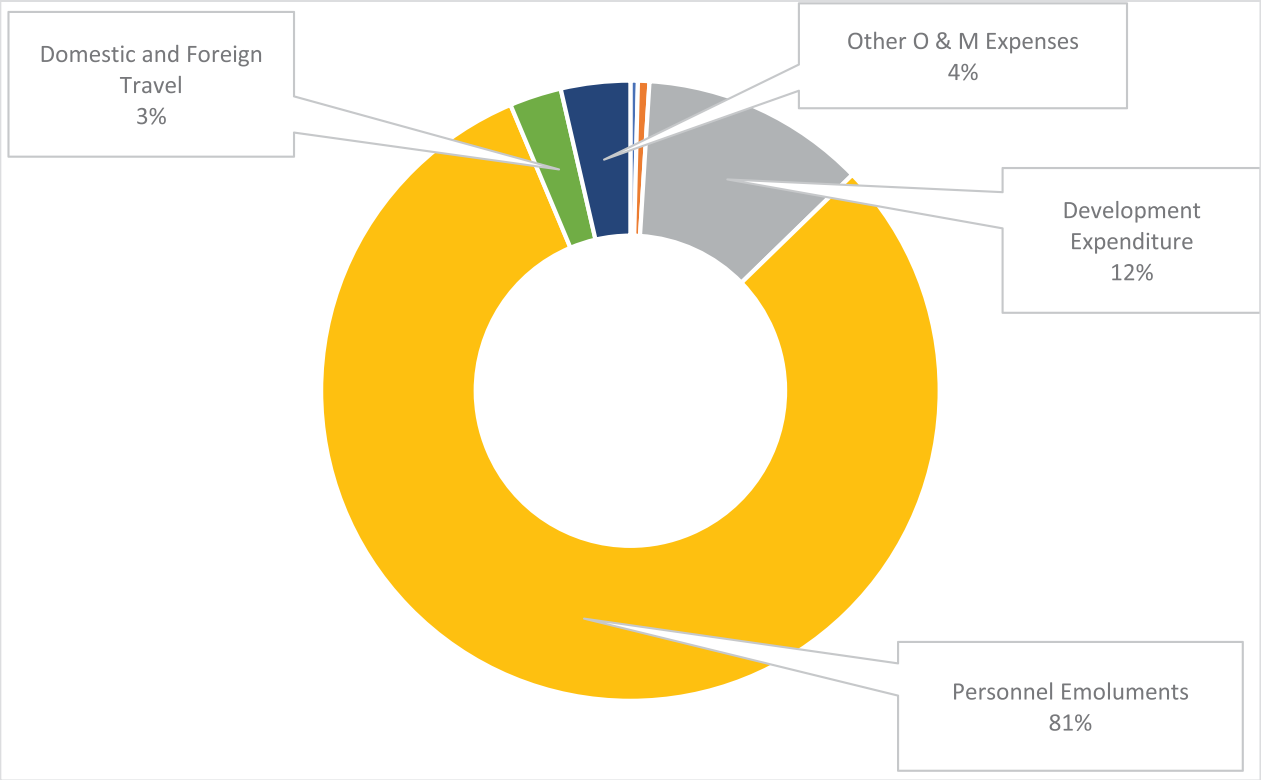
3.41.6 Expenditure Review

The County spent Kshs.551.75 million on development and recurrent programmes in the reporting period. The expenditure represented 109 per cent of the total funds released by the CoB. It comprised Kshs.64.86 million for development programmes and Kshs.486.89 million for recurrent programmes. Expenditure on development programmes represented an absorption rate of 3 per cent, while recurrent expenditure represented 11 per cent of the annual recurrent expenditure budget.

The reason expenditure is higher than the amount of funds released/approved by the Controller of Budget is because of the rolled-over funds not returned to the CRF at the end of the previous financial year, mainly the additional allocations

Figure 237 provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 237: Tharaka Nithi County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Tharaka Nithi County Treasury*

As shown in Figure 237, the three highest expenditure categories were personal emoluments, development expenditure and travel expenditure (both local and foreign) contributing 81 per cent, 12 per cent and 3 per cent of total expenditure for the reporting period.

3.41.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.754.52 million. This amount included Kshs.622.91 million from the County Executive and Kshs.131.61 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.437.48 million for recurrent expenditures and Kshs.185.44 million for development expenditures.

During the reporting period, the County Executive settled trade payables amounting to Kshs.4.00 million, entirely on settling recurrent payables. On the other hand, the County Assembly settled trade payables worth Kshs.0.11 million, also used entirely to settle recurrent payables. The outstanding trade payables as of 30th September 2025 was Kshs.618.91 million for County Executive and Kshs.131.50 million for County Assembly. Table 3.467 provides additional details of trade payables.

Table 3.467: Tharaka Nithi County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	185,435,237	437,475,073	622,910,310
		County Assembly	13,879,858	117,733,304	131,613,162
		Total	**199,315,095**	**555,208,377**	**754,523,472**
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	22,355,847	202,242,078	224,597,925
		County Assembly	9,960,810	1,156,255	11,117,065
		Total	**32,316,657**	**203,398,333**	**235,714,990**

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Amount paid in FY 2025/26	c	County Executive		4,000,000	4,000,000
		County Assembly		108,255	108,255
		Total	-	**4,108,255**	**4,108,255**
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	185,435,237	433,475,073	618,910,310
		County Assembly	13,879,858	117,625,049	131,504,907
		Total	**199,315,095**	**551,100,122**	**750,415,217**

Source: *Tharaka Nithi County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.224.60 million and Kshs.11.12 million, respectively, in Q1 FY 2025/26. The County did not adhere to this payment plan, as it cleared Kshs.4.00 million for the Executive and Kshs.0.11 million for the Assembly.

Table 3.468 and Table 3.469 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.750.42 million.

Table 3.468: Tharaka Nithi County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**126,622,218**	**13,053,675**	**92,319**	**45,667,026**	**185,435,237**
Recurrent Trade Payables (Goods & Services)	272,088,647	62,692,933	9,673,096	89,020,397	**433,475,073**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	-	-
Recurrent Trade Payables (Staff Claims)	-	-	-	-	-
Total Recurrent Trade Payables	272,088,647	62,692,933	9,673,096	89,020,397	**433,475,073**
Total Trade Payables	**398,710,865**	**75,746,608**	**9,765,415**	**134,687,423**	**618,910,310**
% of Total	**64%**	**12%**	**2%**	**22%**	**100%**

Source: *Tharaka Nithi County Treasury*

Table 3.469: Tharaka Nithi County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**-**	**9,960,810**	**3,919,048**		**13,879,858**
Recurrent Trade Payables (Goods & Services)			9,915,362	77,096,503	**87,011,865**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)			30,613,184		**30,613,184**
Recurrent Trade Payables (Staff Claims)					-
Total Recurrent Trade Payables	**-**	-	**40,528,546**	**77,096,503**	**117,625,049**
Total Trade Payables	**-**	**9,960,810**	**44,447,594**	**77,096,503**	**131,504,907**
% of Total	**%**	**8%**	**34%**	**59%**	**100%**

Source: *Tharaka Nithi County Treasury*

Both the County Executive and the Assembly were lagging behind in settling trade payables, according to the trade payables payment plans drafted by the County units at the beginning of the financial year. Again, both County units failed to follow the FIFO method in settling trade payables.

3.41.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.425.94 million for compensation of employees, Kshs.19.43 million for operations and maintenance, and Kshs.64.86 million for development activities. Similarly, the County Assembly spent Kshs.20.55 million on compensation of employees and Kshs.20.97 million on operations and maintenance. The assembly did not incur any expenditure on development activities in the quarter as shown in Table 3.470.

Table 3.470: Tharaka Nithi County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**3,750,015,558**	**508,533,605**	**445,369,052**	**41,518,492**	**12**	**8**
Compensation of Employees	2,455,544,603	275,426,847	425,941,515	20,547,973	17	7
Operations and Maintenance	1,294,470,955	233,106,758	19,427,537	20,970,519	2	9
Development Expenditure	**2,481,851,027**	**30,000,000**	**64,857,973**	-	**3**	-
Total	**6,231,866,585**	**538,533,605**	**510,226,786**	**41,518,492**	**8**	**8**

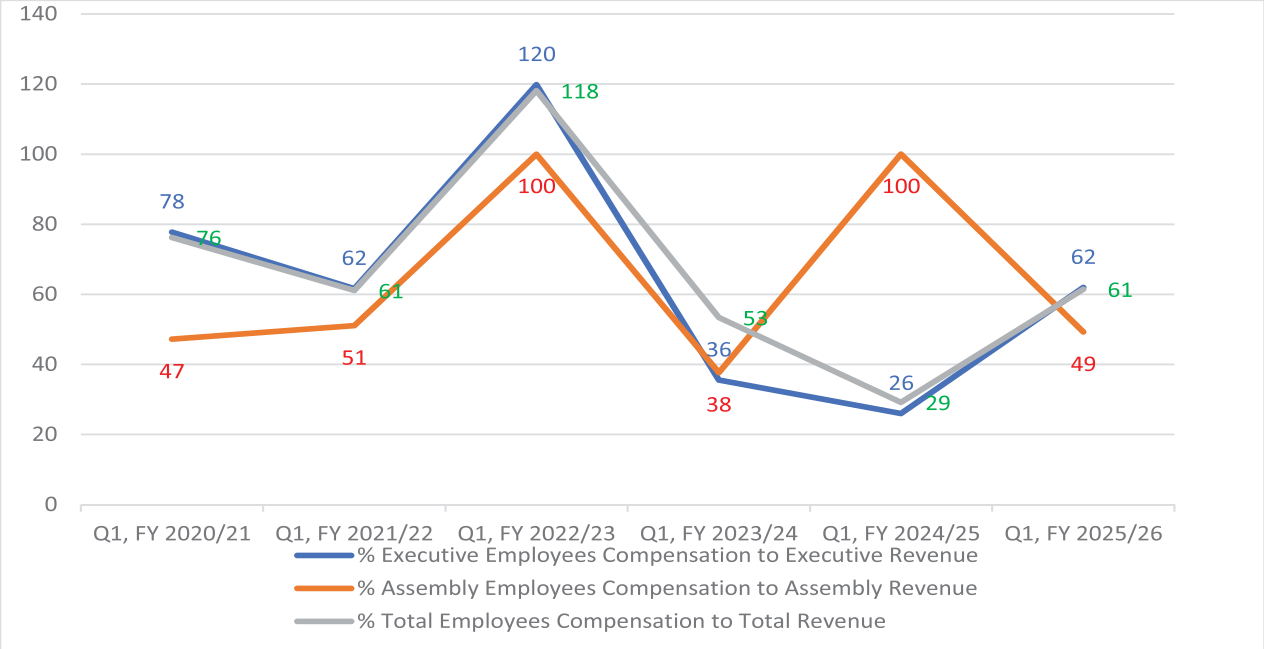
***Source**: Tharaka Nithi County Treasury*

3.41.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.446.49 million. The percentage of compensation of employees to revenue was 42 per cent. This expenditure on employee compensation shows an increase compared to the Kshs.264.86 million reported in a similar period in FY 2024/25. Of this total, Kshs.420.07 million related to the Health Sector employees, which accounted for 94 per cent of the overall employees' compensation. The 94 per cent is not the true cost of the employee compensation in the health sector but more to do with how the County charges the votes. Every department budgets for its wages, but when it comes to charging for votes during requisition and expenditure, the County charges the whole amount to the department. This is erroneous.

Figure 238 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 238: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Tharaka Nithi County Treasury

Further analysis indicated that PE costs amounting to Kshs.440.93 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.5.46 million was processed through manual payroll, which accounted for 1% per cent of the total PE cost as shown in Taable 1.7.

Table 3.471: Breakdown of Tharaka Nithi County Manual Payroll

Serial No.	Description of Manual Payroll	Amount (Kshs.)
	Salaries for casual staff	3,906,000
	Top-up Allowances for Security Officers	1,656,000
	Total	**5,562,000**

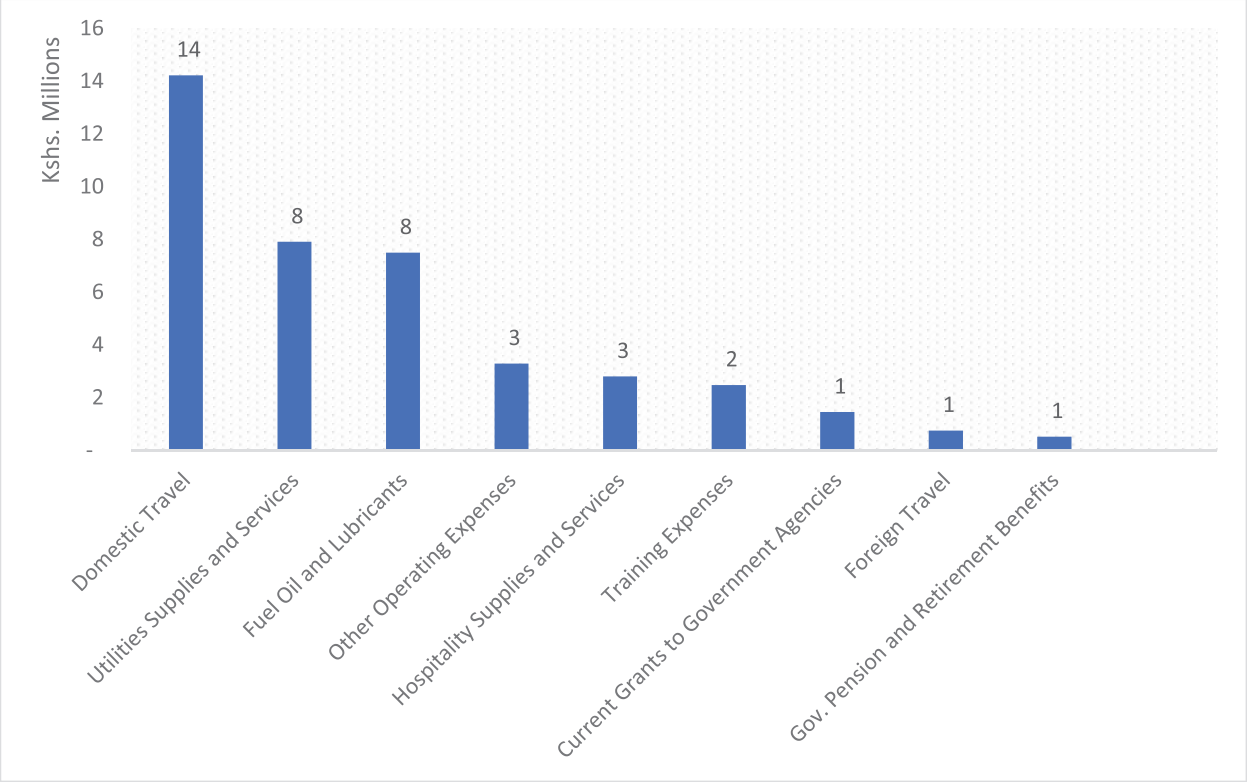
Source: Tharaka Nithi County Treasury

The County Assembly spent Kshs.2.15 million on committee sitting allowances for the 24 MCAs against the annual budget allocation of Kshs.27.90 million. The average monthly sitting allowance was Kshs.29.807 per MCA. The County Assembly has 19 House Committees.

3.41.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.40.40 million on operations and maintenance, representing a decrease of 56 per cent compared to FY 2024/25, when the County spent Kshs.90.41 million. Figure 239 summarises the Operations and Maintenance expenditure by major categories.

Figure 239: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories



Source *Tharaka Nithi County Treasury*

3.41.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.3.29 million under "other Operating expenses" translates to 6 per cent of the cumulative operations and maintenance expenditure of Kshs.59.05 million. The disaggregated items under the "*Other Operating Expenses*" category are as shown in Table 3.472.

Table 3.472: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211301	Bank Service Commission and Charges	202,900	
2211305	Contracted Guards and Cleaning Services	55,000,000	
2211306	Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	9,280,500	
2211308	Legal Dues/fees, Arbitration and Compensation Payments	13,929,375	
2211310	Contracted Professional Services	50,500,000	
2211320	Temporary Committees Expenses	5,051,250	
2211323	Laundry Expenses	250,000	
2211325	Constituency Office Expenses	22,728,000	3,289,000
Total		**156,942,025**	**3,289,000**

Source: *Tharaka Nithi County Treasury*

A review of the other expense items listed in the table did not reveal any inconsistency.

3.41.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.260.00 million to County-Established funds in FY 2025/26, or 4 per cent of the County's overall budget. Further, the County allocated Kshs.10.00 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.473 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.473: Performance of Tharaka Nithi County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
Tharaka Nithi County Executive Established Funds							
1	Bursary Development Fund	2019	-	-	-	110,032,667	Yes
2	Emergency Fund	2019	10,000,000	-	-	15,116,817	Yes
3	Youth Fund	2022	-	-	-	25,000,000	Yes
4	Car Loan and Mortgage Fund	2024	-	-	-	70,000,000	Yes
5	Climate Change Fund	2024	252,000,000	8,915,619	8,915,619	195,843,205	Yes
Tharaka Nithi County Assembly Established Funds							
1	Car and Mortgage Fund	-	-	-	-	-	No
	Total		**262,000,000**	**8,915,619**	**8,915,619**	**415,992,689**	

Source: *Tharaka Nithi County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from one Fund Administrator, as indicated in Table 3.473, contrary to the requirement of Section 168 of the PFM Act, 2012. Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 sets the ceiling of administration costs of established funds at 3 per cent of the fund budget. For the funds whose financial statements were received by the Controller of Budget, the administrative cost ceilings were not breached.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the funds had not elapsed.

3.41.13 County Corporations

The County has one corporation, i.e Nithi Water and Sanitation Company (NIWASCO), that does not receive budgetary allocation from the County Budget.

3.41.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.14.22 million and comprised Kshs.11.65 million spent by the County Assembly and Kshs.2.57 million by the County Executive. Expenditure on foreign travel amounted to Kshs.0.75 million and comprised Kshs.0.75 million by the County Assembly. The County Executive did not incur any expenses for foreign travel. Expenditure on foreign travel is summarised in Table 3.474.

Table 3.474: Summary of Expenditure on Foreign Travel in the First Quarter of FY 2025/26

Arm of County Government	Number of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel in (Kshs.)
County Assembly Executive	1	1st July to 10th July 2025	Leadership and management training	London UK	751,400.00
Total					**751,400.00**

Source: Tharaka Nithi County Treasury and Tharaka Nithi County Assembly

3.41.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.43.85 million as FIF, which was 14 per cent of the annual target of Kshs.305.00 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has, however, not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.89.51 million, as shown in Table 3.475.

Table 3.475: Tharaka Nithi County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1 - Chuka	100,700,000	32,389,409	32
2.	Level 4 Hospital	2 – Marimanti & Magutuni	42,150,000	3,599,720	12
3.	Level 3 Facility	16	24,915,600	6,547,000	25
4.	Level 2 Facility	98	129,250,000	46,971,516	36
	Total	**117**	**297,015,600**	**89,507,645**	**30**

Source: *Tharaka Nithi County Treasury*

3.41.16 Development Expenditure

In the review period, the County reported spending Kshs.64.86 million on development programmes, representing an increase of 141 per cent compared to FY 2024/25, when the County spent Kshs.26.95 million. Table 3.476 summarises the development projects with the highest expenditure in the reporting period.

The increase in development expenditure was attributed to existence of a reasonable amount funds from one of the conditional grants rolled over from the previous financial year

Table 3.476: Tharaka Nithi County, List of Development Projects with the Highest Expenditure

No.	Sector	Project Name	Project Location	Expected Completion Date	Contract sum (Kshs)	Amount paid in FY 2025/26 (Kshs.)	Cumulative Expenditure as of 30 September 2025	Implementation status (%)
	County Funded Projects							
1.	Roads, Infrastructure, Public Works & Urban Dev.	Road Maintenance Fuel Levy (RMFL)	Countywide	30/06/2026	161,810,667	55,944,250	55,944,250	34
2.	Environment, Mining &Natural Resources	Climate Change Fund (Supply of Drought-Tolerant Seeds)	Tharaka South, Tharaka North & Igambang'ombe	30/06/2026	8,913,484	8,913,484	8,913,484	100

Source: *Tharaka Nithi County Treasury*

The County reported one stalled development project as of 30 September 2025, with an estimated value of Kshs.689.34 million, of which Kshs.105.89 has already been paid. The stalled projects are shown in Table 3.477.

Table 3.477: Tharaka Nithi County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Upgrading of Tunyai Nthaara Road to Bitumen Standard	Chiakariga	689,341,000	105,887,119	583,453,881	15.36	Funding

Source: Tharaka Nithi County Treasury

3.41.17 Budget Performance by Department

Table 3.478 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.478: Tharaka Nithi County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs. Millions)		Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of Governor & Deputy	109.93	-	12.71	-	0.11	-	1	-	0	-
Roads, Infrastructure, Public Works & Urban Development	220.39	554.79	18.07	55.94	11.41	55.94	63	100	5	10
Medical Services	1,721.35	110.00	232.02	-	423.07	-	182	-	25	-
Agric, Livestock, Vet Services, & Coop Dev	211.99	369.25	28.42	-	-	-	-	-	-	-
Public Admin, Inter-gov Coordination & Devolution Affairs	178.45	357.00	18.69	-	1.54	-	8	-	1	-
Educ &Vocational Training	214.62	40.00	28.15	-	-	-	-	-	-	-

Finance & Economic Planning	206.23	40.00	22.64	-	5.83	-	26	-	3	-
Environment, Mining &Natural Resources	38.85	241.00	3.38	8.91	-	8.91	-	100	-	4
County Assembly	508.53	30.00	41.71	-	41.52	-	100	-	8	-
Water Services & Irrigation	65.23	450.00	6.71	-	-	-	-	-	-	-
County Public Service Board	40.13	-	3.54	-	-	-	-	-	-	-
Public Health & Sanitation	331.76	-	35.81	-	3.42	-	10	-	1	-
Youth &Sports	38.89	50.00	4.66	-	-	-	-	-	-	-
Culture & Tourism	31.25	5.00	9.66	-	-	-	-	-	-	-
Revenue & Resource Mobilization	119.33	-	15.83	-	-	-	-	-	-	-
Lands, Physical Planning & Housing	69.97	84.00	6.45	-	-	-	-	-	-	-
Fisheries & Ecosystem Dev	24.10	25.81	2.10	-	-	-	-	-	-	-
Gender, Children & Social Services	31.00	5.00	3.26	-	-	-	-	-	-	-
Trade, Investment Promotion, Energy & Industry	56.83	150.00	6.19	-	-	-	-	-	-	-
Office of the County Secretary & County Attorney	39.70	-	4.07	-	-	-	-	-	-	-
Total	**4,258.55**	**2,511.85**	**504.06**	**64.86**	**486.89**	**64.86**	**97**	**100**	**11**	**3**

Source: *Tharaka Nithi County Treasury*

Analysis of expenditure by departments shows that the Department of Roads, Infrastructure, Public Works and Urban Development recorded the highest absorption rate of development budget at 10 per cent, followed by the Department of Environment, Mining & Natural Resources at 4 per cent. The Department of Medical Services had the highest percentage of recurrent expenditure to budget at 25 per cent, while six departments had not recorded any expenditure as at the end of the reporting period. Generally, the first quarter of the financial year always record low absorption rates because of issues such as delayed equitable disbursements, delays in uploading the budget, delays in procurement.

3.41.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Rural Roads Improvement and Maintenance Services in the Department of Roads, Infrastructure, Public Works and Urban Development at 7 per cent and Climate Change in the Department of Environment, Mining and Natural Resources at 4 per cent. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Human Resource Management in the Department of Medical Services at 33 per cent, 'Oversight' in the County Assembly at 15 per cent, 'Coordination' in the County Assembly at 13 per cent and 'legislation' in the County Assembly at 9 per cent of the budget allocation.

3.41.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 16 accounts in commercial banks, including 5 accounts for Health Facilities (4 for specific health facilities and one acting as the central account for FIF), 6 accounts for Established Funds, 3 revenue accounts, one account for asset disposals and another one by the County assembly for loan repayments by the members and staff.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening the commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.41.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Executive Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received piecemeal with the last piece being received on 10th November 2025. The office also notes that this the fourth consecutive quarter that this issue of late reporting by the Executive wing of the County has been reported
ii. The underperformance of own-source revenue at Kshs.82.49 million against an annual target of Kshs.585.00 million, representing 14 per cent of the financial year target against an expected performance of 25 per cent.
iii. Low development performance in the review period, as the County incurred Kshs.64.86 million on development activities, achieving a 3 per cent absorption rate.
iv. Fund Administrator of the County Assembly, with its one fund only, failed to submit quarterly financial and non-financial reports to the CoB not just within the timelines provided by law but for the fourth consecutive quarter, completely failed to submit at all. This is against the requirement of Section 168 of the PFM Act, 2012. The report for the Car and Mortgage Fund has never been submitted for the last one year.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

3.42. County Government of Trans Nzoia

3.42.1 Overview of FY 2025/26 Budget

The Trans Nzoia County Approved Budget for FY 2025/26 is Kshs.9.92 billion. It comprises Kshs.3.67 billion (37 per cent) and Kshs.6.25 billion (63 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.537.36 million (5 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.4.34 billion and a recurrent budget of Kshs.6.11 billion. The decrease in the budget was primarily attributed to the decline in the balance brought forward and conditional grants.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.7.99 billion (81 per cent), additional allocations of Kshs.804.91 million (8 per cent), a cash balance of Kshs.509.49 million (5 per cent) brought forward from FY 2024/25, and Kshs.600.00 million (6 per cent) received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.479.

3.42.2 Revenue Performance

During the first Quarter of FY 2025/26, the County receivedKshs.1.90 billion in revenue. This amount represented an increase of 36 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.39 billion. The total revenue consisted of Kshs.1.28 billion from the equitable share of revenue raised nationally, additional allocations from the national government and own-source revenue (OSR) collection of Kshs.106.09 million. Additionally, the County had a cash balance of Kshs.509.49 million from FY 2024/25. The total OSR collection of Kshs.106.09 million included Facilities Improvement Financing (FIF) of Kshs.53.92 million, and Kshs.52.17 million from other OSR sources. Table 3.479 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.479: Trans Nzoia County, Revenue Performance in FY 2025/26

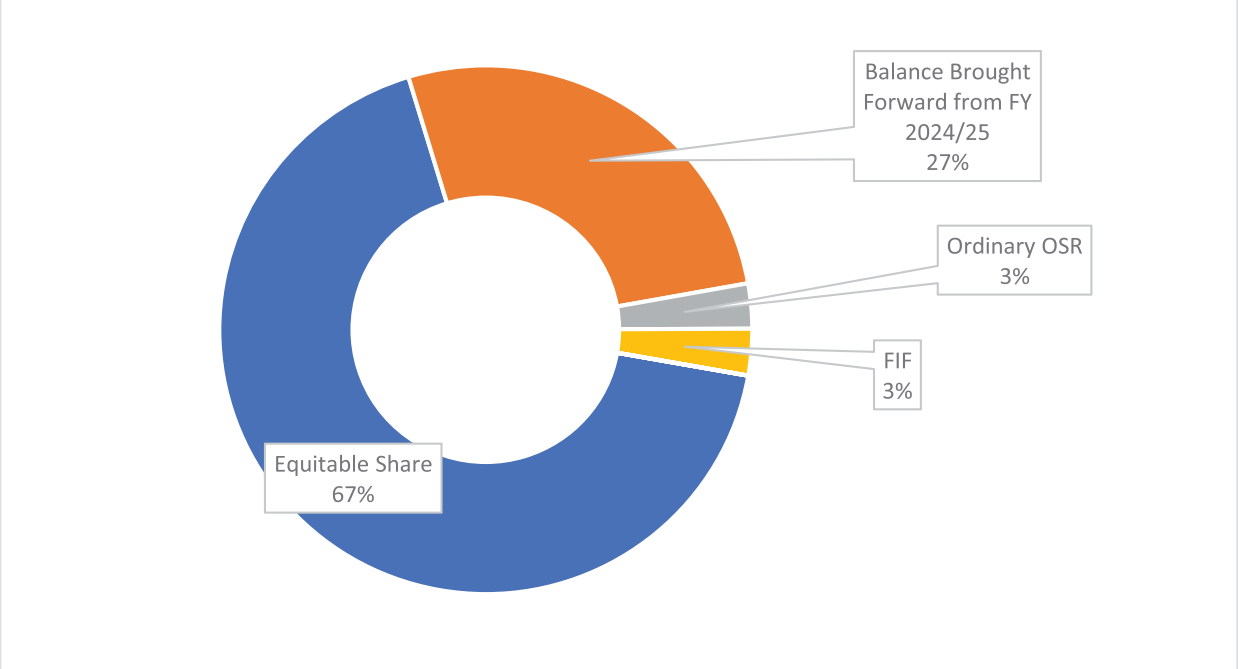
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	7,991,120,837	1,280,232,294	16
	Subtotal	**7,991,120,837**	**1,280,232,294**	**16**
B	**Equalisation Fund Disbursement**	12,161,730	-	-
	Subtotal	**12,161,730**	-	-
C	**Additional Allocations**			
1	Doctor salary Arrears	46,626,677	-	-
2	Community Health Promoters	67,200,000	-	-
3	Second KDSP Level 1	37,500,000	-	-
4	KDSP Level II	352,500,000	-	-
5	Kenya Livestock Commercialisation Project	60,550,000	-	-
6	National Agricultural Value Chain Programme	231,250,000	-	-
7	Primary Health Care in a Devolved Context	9,282,000	-	-
	Subtotal	**804,908,677**	-	-
D	**Ordinary Own Source Revenue (OSR)**			
1	Lease of non-agricultural County land	882,352	7,983,650	905
2	Single business permit	70,588,235	7,164,900	10
3	Enclosed bus park fees	39,705,882	6,780,800	17
4	Open-air markets	17,647,058	4,999,460	28
5	Other Ordinary OSR	196,147,064	25,245,069	13
	Subtotal	**324,970,591**	**52,173,879**	16
E	**Facility Improvement Fund (FIF)**			
1	SHIF	180,882,352	53,923,609	30
2	Other FIFs Sources	94,147,057	-	-
	Subtotal	**275,029,409**	**53,923,609**	**20**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	506,813,553	506,813,553	100
2	County Executive Refunds to CRF	2,655,220	2,655,220	100
3	County Assembly Refunds to CRF	24,092	24,092	100
	Subtotal	**509,492,865**	**509,492,865**	**100**
Grand Total		**9,917,660,017**	**1,895,822,647**	**19**

Source: *Trans Nzoia County Treasury*

The County has governing legislation on the operation of ordinary A-I-A and FIF.

Figure 240 provides a detailed breakdown of Revenue, showing a breakdown of each shilling received.

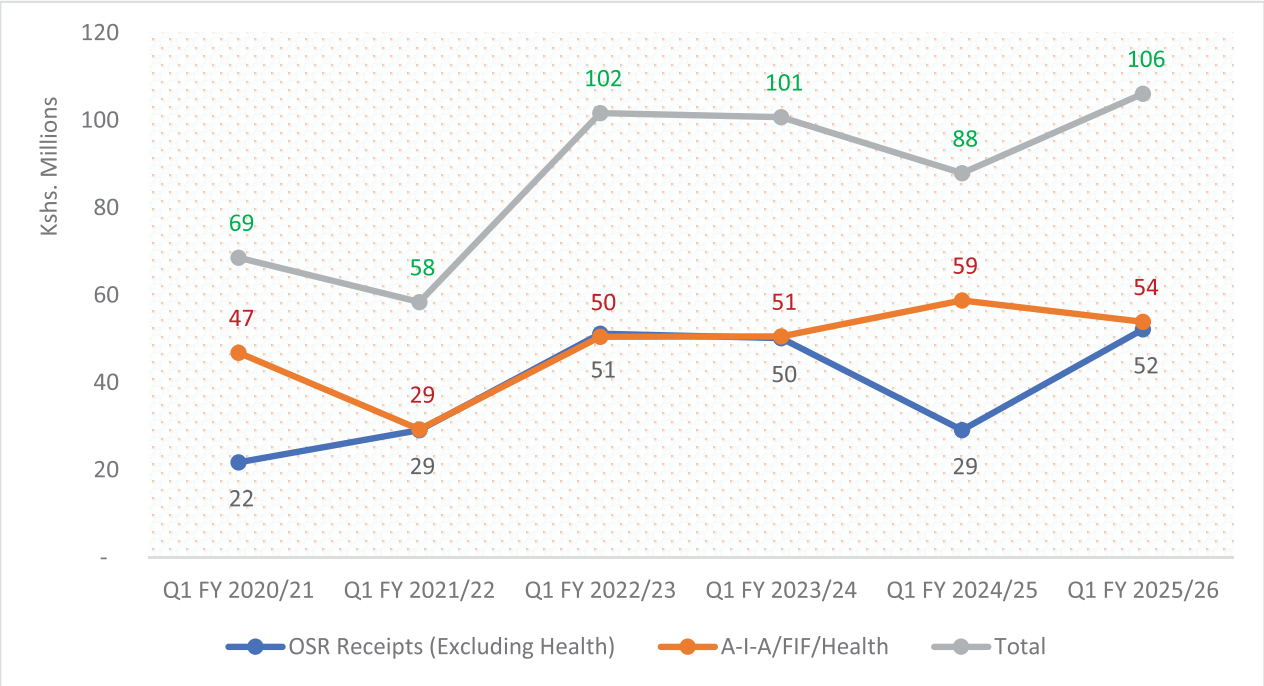
Figure 240: Trans Nzoia County Composition of Each Shilling Receivedin the First Quarter of FY 2025/26



Source: *Trans Nzoia County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 67 per cent, 27 per cent and 3 per cent, respectively, of the total revenue for the reporting period. Figure 241 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

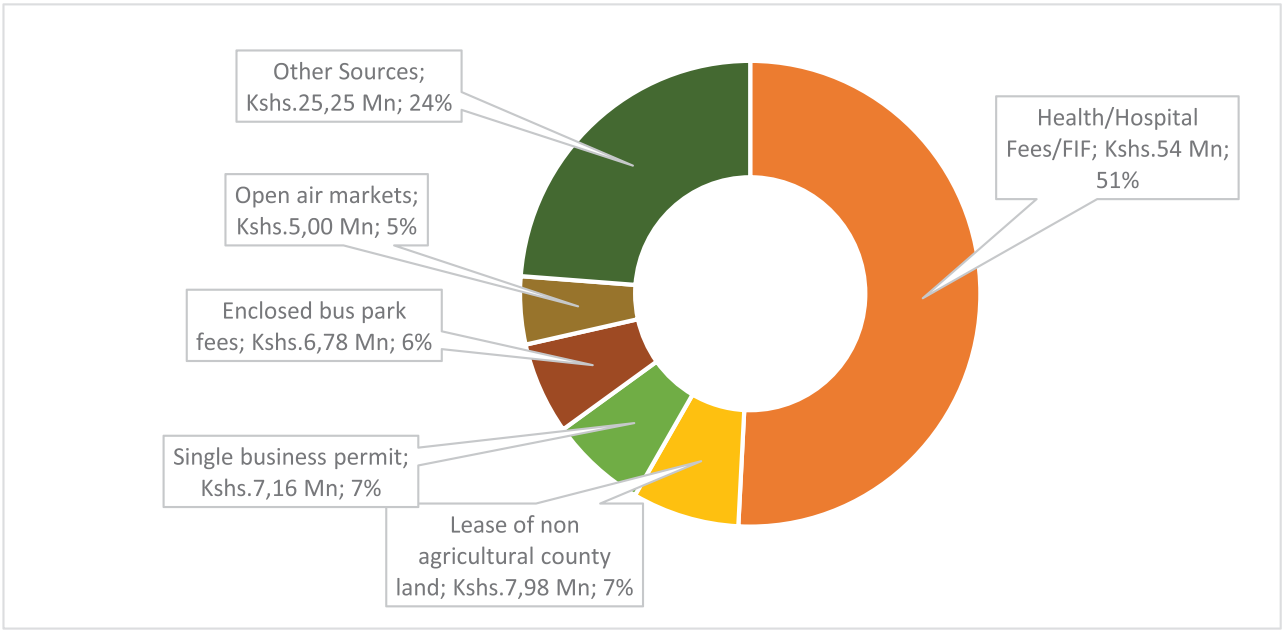
Figure 241: Trans Nzoia County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Trans Nzoia County Treasury*

During the First Quarter of FY 2025/26, the County receivedKshs.106.09 million from its revenue sources, including FIF. This amount was an increase of 21 per cent compared to Kshs.87.90 million realised in a similar period in FY 2024/25, and was 18 per cent of the annual target and 8 per cent of the equitable revenue share disbursed. The increase in OSR was attributed to the creation of more revenue streams. The revenue streams which contributed the highest OSR receipts are shown in Figure 242.

Figure 242: Trans Nzoia County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Trans Nzoia County Treasury

As shown in Figure 242, the highest revenue stream, at Kshs.53.92 million, was from Health/Hospital Fees/FIF, accounting for 51 per cent of the total OSR receipts. The County Government indicated that it has automated 37 revenue streams out of 56.

3.42.3 Borrowing by the County

There was no borrowing during the reporting period

3.42.4 Exchequers Approved

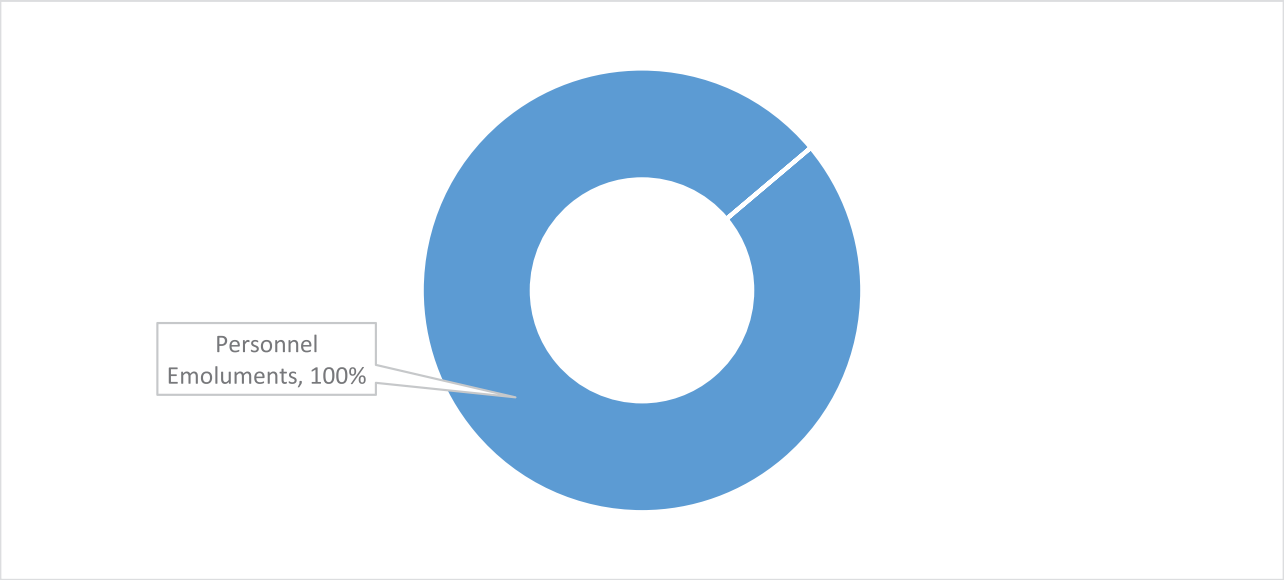
The Controller of Budget approved withdrawals of Kshs.738.45 million from the CRF account during the reporting period, which comprised Kshs.128.82 million (17 per cent) for development programmes and Kshs.609.62 million (83 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.575.92 million was towards employee compensation and Kshs.33.70 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that there was no domestic travel, and foreign travel, exchequer. As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.668.26 million.

3.42.5 Expenditure Review

The County incurred Kshs.609.62 million on recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. There was no expenditure on development programmes, while recurrent expenditure accounted for 11 per cent of the annual recurrent budget. The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling incurred.

Figure 243: Trans Nzoia County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Trans Nzoia County Treasury

As shown in Figure 243, the highest expenditure category was Personnel Emoluments Expenditure, accounting for 100 per cent of the total expenditure for the reporting period.

3.42.6 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.2.57 billion. This amount included Kshs.2.57 billion from the County Executive, and there were no trade payables from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.08 billion for recurrent expenditures and Kshs.1.49 billion for development expenditures.

During the reporting period, the County Executive did not settle any trade payables. The outstanding trade payables as of 30th September 2025 were Kshs.2.57 billion for County Executive. Table 3.480 provides additional details of Trade Payables.

Table 3.480: Trans Nzoia County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	1,486,134,309	1,083,865,221	2,569,999,530
		County Assembly	-	-	-
		Total	**1,486,134,309**	**1,083,865,221**	**2,569,999,530**
Trade Payables scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	219,016,033	231,102,543	450,118,576
		County Assembly	-	-	-
		Total	**219,016,033**	**231,102,543**	**450,118,576**
Outstanding Trade Payables as of 30 September 2025	e=a-c*b	**County Executive**	**1,486,134,309**	**1,083,865,221**	**2,569,999,530**
		County Assembly	**-**	**-**	**-**
		Total	**1,486,134,309**	**1,083,865,221**	**2,569,999,530**

***Source**: Trans Nzoia County Treasury*

The County Executive submitted a trade payables payment plan, committing to pay Kshs.2.57 billion, respectively, in the first quarter of FY 2025/26. The County did not adhere to this payment plan. Table 3.481 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.2.57 billion.

Table 3.481: Trans Nzoia County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**374,427,139**	**892,691,137**	**219,016,033**	-	**1,486,134,309**
Recurrent Trade Payables (Goods & Services)	268,300,124	390,545,406	66,641,103	-	**725,486,633**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	54,076,204	139,840,944	164,461,440	-	**358,378,588**
Recurrent Trade Payables (Staff Claims)	-	-	-	-	-
Total Recurrent Trade Payables	**322,376,328**	**530,386,350**	**231,102,543**	-	**1,083,865,221**
Total Trade Payables	**696,803,467**	**1,423,077,487**	**450,118,576**	-	**2,569,999,530**
% of Total	**27**	**55**	**18**	-	**100**

***Source**: Trans Nzoia County Treasury*

The Executive is advised to adhere to the submitted payables payment plan for the remaining period of FY 2025/26, as it did not settle any liabilities in the first quarter.

3.42.7 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.575.92 million for compensation of employees, Kshs.33.70 million for operations and maintenance. Similarly, there was no expenditure by the County Assembly on employee compensation, operations and maintenance, or development activities, as shown in Table 3.482.

Table 3.482: Trans Nzoia County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**5,585,864,959**	**664,759,422**	**609,621,040**	**-**	**11**	**-**
Compensation of Employees	3,715,229,946	349,739,422	575,919,890	-	**16**	-
Operations and Maintenance	1,870,635,013	315,020,000	33,701,150	-	**2**	-
Development Expenditure	**3,667,035,636**	**-**	**-**	**-**	**-**	**-**
Total	**9,252,900,595**	**664,759,422**	**609,621,040**	**-**	**6.6**	**-**

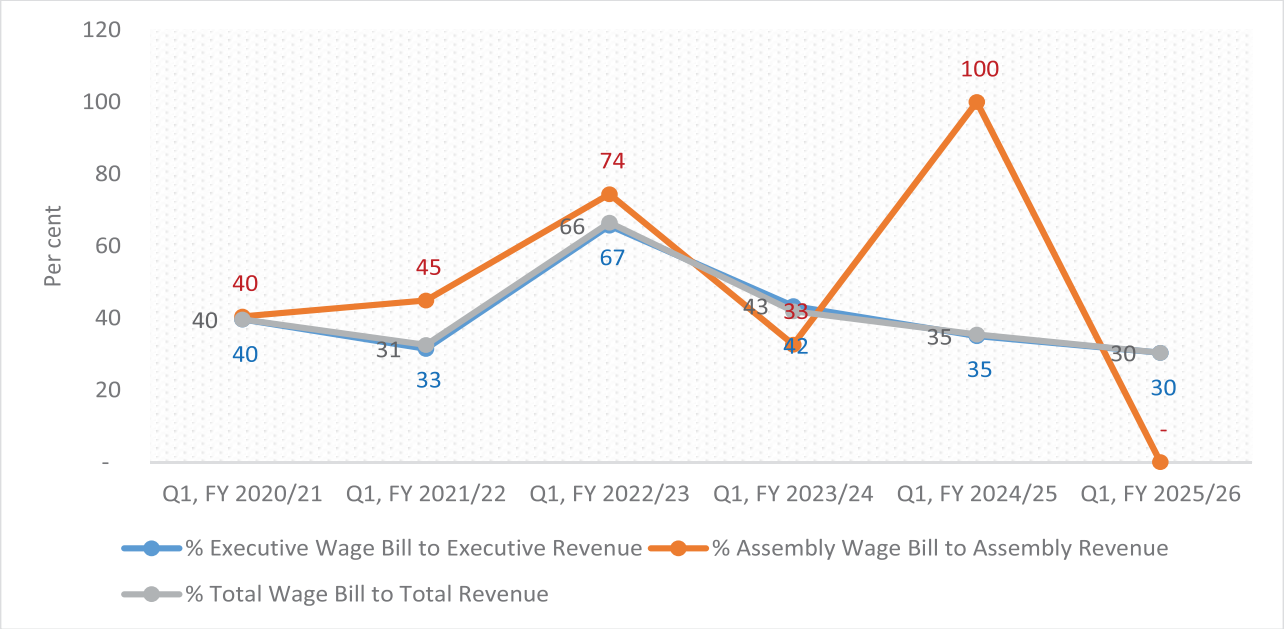
***Source**: Trans Nzoia County Treasury*

3.42.8 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.575.92 million. The compensation-to-revenue ratio was 30 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.491.31 million reported in a similar period in FY 2024/25. Of this total, Kshs.337.71 million related to the Health Sector employees, accounting for 59 per cent of the overall employees' compensation. There was a 17 per cent increase compared to the previous period due to the recruitment of revenue officers.

Figure 244 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 244: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Trans Nzoia County Treasury

Figure 244 indicates that the Executive allocated 30 per cent of the revenue in the first three months of FY 2025/26 for employee compensation, while the Assembly reported no non-expenditure during the review period.

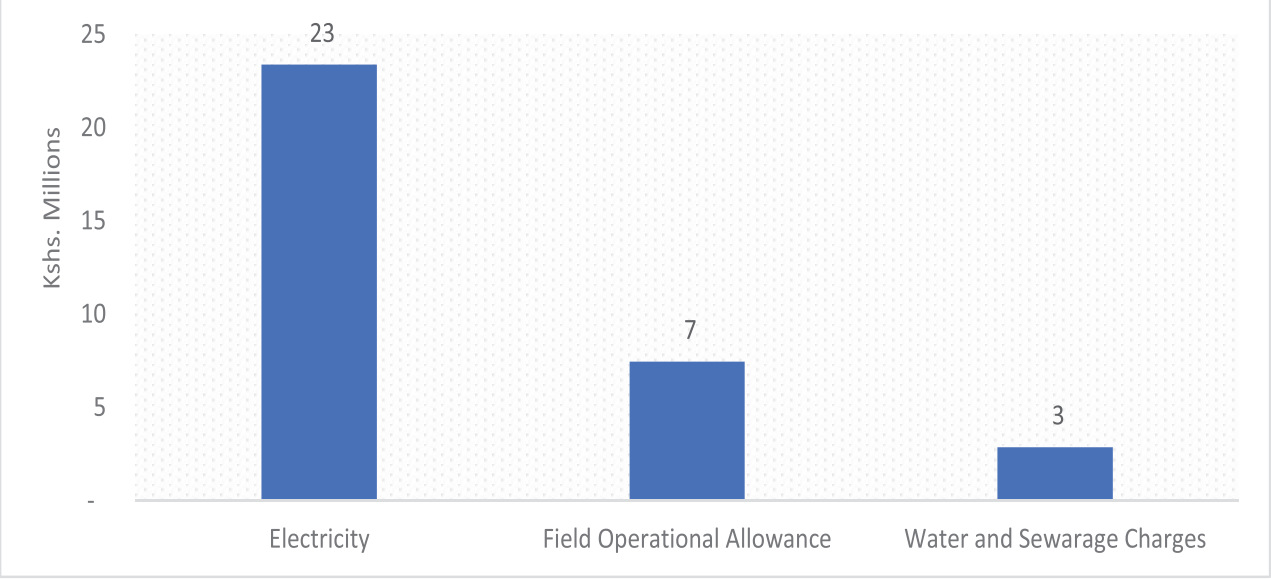
Further analysis indicated that all PE costs amounted to Kshs.575.92 million were processed through the Human Resource Information System (HRIS).

The County Assembly reported nil expenditure on committee sitting allowances for the 33 MCAs against the annual budget allocation of Kshs.42.43 million. The County Assembly has 22 House Committees.

1.1.4 Expenditure on Operations and Maintenance

During the reporting period, the County incurred Kshs.33.70 million on operations and maintenance, representing a decrease of 41 per cent compared to FY 2024/25, when the County incurred Kshs.57.06 million. Figure 245 summarises the Operations and Maintenance expenditure by major categories.

Figure 245: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories



Source: *Trans Nzoia County Treasury*

1.1.5 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.80.00 million to County-Established funds in FY 2025/26, or 1 per cent of the County's overall budget. Further, the County allocated Kshs.40.00 million to the Emergency Fund (less than one per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.483 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.483: Performance of Trans Nzoia County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
1	Car Loan and Mortgage	2018	25,000,000	-	-	-	No
2	Elimu Bursary Fund	2014	15,000,000	-	-	995,451,795	No
3	Nawiri Fund	2015	-	-	-	84,000,000	No
4	Emergency Fund	2016	40,000,000	-	-	-	No
		County Assembly Established Funds					
1	Car Loan and Mortgage Scheme Fund (Members and Staff	2014	-	-	-	313,738,212	No
	Total		**80,000,000**	-	-	**1,393,190,007**	

Source: *Trans Nzoia County Treasury.*

During the reporting period, the CoB did not receive quarterly financial reports from all Fund Administrators, as indicated in Table 3.483, contrary to the requirement of Section 168 of the PFM Act, 2012.

3.42.9 County Corporations

Trans Nzoia County has one corporation that had no allocation for FY 2025/26 as shown in Table 3.484.

Table 3.484: Performance of Trans Nzoia County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
1	Trans Nzoia Water and Sewerage Company Ltd	-	-	-	14,500,000
	Total	-	-	-	**14,500,000**

Source: *Trans Nzoia County Treasury*

3.42.10 Expenditure on Domestic and Foreign Travel

There was no expenditure on domestic or foreign travel during the reporting period.

3.42.11 Facility Improvement Financing

During the review period, the County reported collections of Kshs.52.93 million as FIF, which was 20 per cent of the annual target of Kshs.275.03 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has developed regulations to operationalise the FIF Act of 2023.

3.42.12 Development Expenditure

In the review period, the County reported nil expenditure on development programmes, representing a decrease of 100 per cent compared to FY 2024/25, when the County spent Kshs.304.18 million. The decline in development expenditure was attributed to a delay in budget approval.

The County reported One stalled development project as of 30 September 2025, with an estimated value of Kshs.874 million, of which Kshs.794.52 million has already been paid. The stalled projects are shown in Table 3.485.

Table 3.485: Trans Nzoia County Stalled Projects as of 30 September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Completion of Kitale Business Centre	Matisi Ward	874,000,000	794,520,064	300,000,000	97	Court arbitration

Source: Trans Nzoia County Treasury

3.42.13 Budget Performance by Department

Table 3.486 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.486: Trans Nzoia County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs. Million)	Expenditure (%)		Absorption rate (%)		
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	255.98	396.25	29.40	-	29.40	-	100	-	11.5	-
Livestock	5.23	143.08	-	38.90	-	-	-	100.	-	-
Trade, Commerce	57.21	158.55	5.28	-	5.28	-	100	-	9.2	-
Water, Env and Natural Resources	61.88	361.85	11.77	28.20	11.77	-	100	100	19	-
Public Works	120.56	31.50	14.41	-	14.41	-	100	-	12	-
Roads, Transport and Infrastructure	73.66	603.42	-	52.85	-	-	-	100	-	-
Health Corporate	2,512.94	164.50	336.55	8.87	336.55	-	100	100	13.4	-
Lands, Housing	56.69	27.48	5.96	-	5.96	-	100	-	10.5	-
Municipality Board of Kitale	29.26	97.70	3.32	-	3.32	-	100	-	11.3	-
Gender, Sports, Culture	75.54	371.63	8.34	-	8.34	-	100	-	11	-
Governance	161.06	-	11.04	-	11.04	-	100	-	6.9	-
PSM	602.75	565.83	48.66	-	48.66	-	100	-	8.1	-
CPSB	97.44	-	6.16	-	6.16	-	100	-	6.3	-
Education, ICT	608.00	130.16	70.04	-	70.04	-	100	-	11.5	-
Finance	796.65	612.36	56.12	-	56.12	-	100	-	7.0	-
Economic Planning	24.03	2.73	-	-	-	-	-	-	-	-
County Attorney	46.97	-	2.60	-	2.60	-	100	-	5.5	-
County Assembly	664.76	-	-	-	-	-	-	-	-	-
	6,250.62	**3,667.04**	**609.62**	**128.82**	**609.62**	**-**	**100**	**100**	**9.8**	**-**

Source: *Trans Nzoia County Treasury*

Analysis of expenditure by departments shows that the Department of Water, Environment and Natural Resources had the highest percentage of recurrent expenditure to budget at 19 per cent, while the Department of Economic Planning had the lowest at 0 per cent.

3.42.14 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Administrative and Support Services in the Department of Water, Environment and Natural Resources at 19 per cent, Administrative and Support Services in the Department of Health Corporate at 13 per cent, Administrative and Support Services in the Department of Public Works at 12 per cent, and Administrative and Support Services at 11 per cent of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.42.15 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 135 accounts in commercial banks, including 83 accounts for Health Facilities, 32 accounts for Vocational Training Centres, seven accounts for Established Funds, three revenue accounts, and six special-purpose accounts (additional allocations).

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening all commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.42.16 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 29 October 2025.
ii. The underperformance of own-source revenue at Kshs.106.09 million against an annual target of Kshs.600 million, representing 18 per cent of the financial year target.
iii. The nil development performance in the review period, as the County incurred nil expenditure.
iv. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for all funds were not submitted to the CoB as of October 15, 2025.
v. High level of trade payables, which amounted to Kshs.2.57 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vi. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

(i) *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
(ii) *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
(iii) *The County should implement strategies to increase development expenditures in FY 2025/26.*
(iv) *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*

(v) *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the trade payables Action Plan should be enforced.*

(vi) *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.43. County Government of Turkana

3.43.1 Overview of FY 2025/26 Budget

The Turkana County Approved Budget for FY 2025/26 is Kshs.17.56 billion. It comprises Kshs.6.44 billion (37 per cent) and Kshs.11.12 billion (63 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.346.22 million (2 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.6.64 billion and a recurrent budget of Kshs.10.57 billion.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally of Kshs.13.1 billion (79 per cent), additional allocations of Kshs.3.09 million (18 per cent), a cash balance of Kshs.285.60 million (2 per cent) brought forward from FY 2024/25, and Kshs.380 million (2 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.487.

3.43.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.3.82 billion in revenue. This amount represented an increase of 61 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.2.37 billion. The total revenue consisted of Kshs.2.23 billion from the equitable share of revenue raised nationally, own-source revenue (OSR) collection of Kshs.43.69 million. Additionally, the County had a cash balance of Kshs.1.26 billion from FY 2024/25. The total OSR collection of Kshs.43.69 million included Facilities Improvement Financing (FIF) of Kshs.14.17 million, and Kshs.29.51 million from other OSR sources. Table 3.487 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.487: Turkana County, Revenue Performance in FY 2025/26

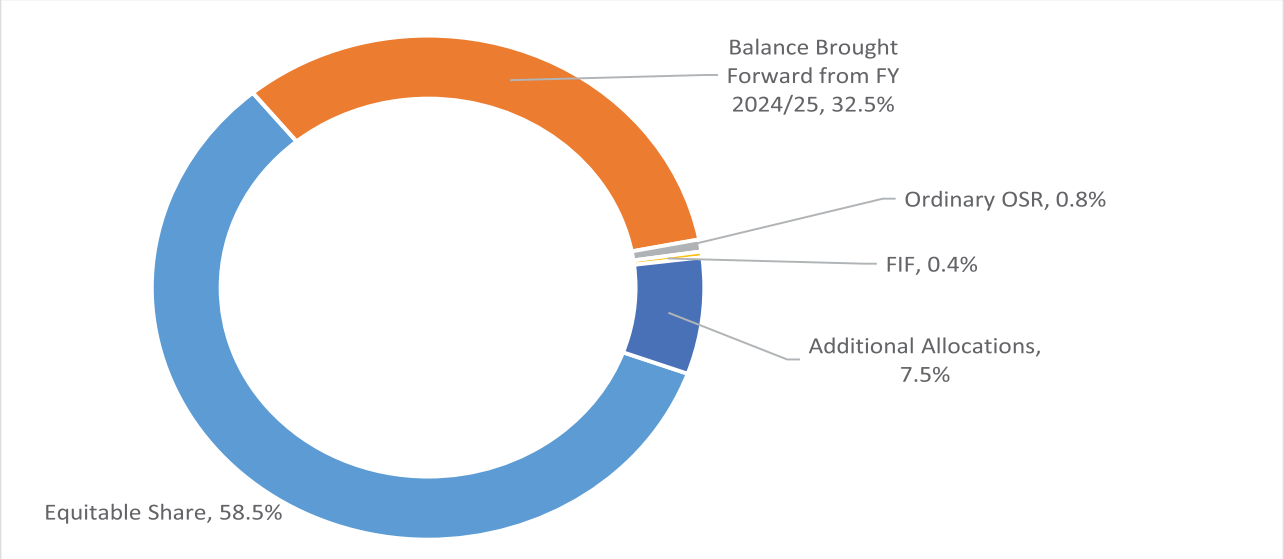
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
A	**Equitable Share of Revenue Raised Nationally**	13,805,000,000	2,234,535,275	16
Subtotal		**13,805,000,000**	**2,234,535,275**	**16**
B	**Equalisation Fund Disbursement**			
Subtotal				
C	**Additional Allocations**			
1	Window for Host & Refugees (WHR) UDG-Kakuma	716,242,240	0	-
2	Drought Resilience Programme in Northern Kenya(DRPNK)	696,652,000	0	-
3	KDSP II LEVEL II	352,500,000	0	-
4	Financing Locally Lead Climate Action (FLLoCA)	350,000,000	285,597,504	82
5	Food System Resilience Programme (FSRP)	251,153,846	0	-
6	K-WASH	200,000,000	0	-
7	Kenya Urban Support Programme (KUSP) II UDG- Lodwar	174,734,820	0	-
8	ELRP(Emergency Locust Response Project	142,500,000	0	-
9	Window for Host & Refugees(WHR) UIG	70,000,000	0	-
10	DANIDA (Primary Health Care for facilities Level 2 & 3)	43,206,750	0	-
11	KDSP II LEVEL I	37,500,000		-

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Performance (%)
12	Kenya Urban Support Programme (KUSP) II UIG	28,400,000	0	-
13	DANIDA (Level 1)	15,984,000	0	-
14	Agricultural Sector Development Support Programme(ASDSP/KADP)	11,000,000	0	-
Subtotal		**3,089,873,656**	**285,597,504**	**9**
D	**Ordinary Own Source Revenue (OSR)**			
1	Cess (agricultural, transport ,hide & skin, charcoal cess, firewood, miraa cess, scrap metal, fish)	60,000,000	11,468,850	19
2	Single business permit (application fee, renewal, penalties/interest, arrears)	16,000,000	4,882,002	31
3	Royalty-cess (murram, hardcore sand, ballast, exploitation)	40,000,000	4,466,579	11
4	Market fee (barter, entry fee/offloading, hawking)	2,000,000	2,175,755	109
5	Corporates	19,000,000	1,699,500	9
6	Slaughter/auction fee (small and big animals)	12,000,000	1,310,744	11
7	Land survey/application/ building approval (land penalties and interest/arrears)	17,000,000	855,130	5
8	Transport operation fee -entry/exit (taxi, boda boda, matatu, canter, lorry, and buses)	13,500,000	633,193	5
9	Other Ordinary OSR	41500000	2020530	5
Subtotal		**221,000,000**	**29,512,283**	**13**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	139,058,291	3,147,424	2
2	Lokitaung sub-County hospital	9,000,000	84,720	1
3	User fee collections	7,502,727	7,502,727	100
4	Other insurances	3,438,982	3,438,982	100
Subtotal		**159,000,000**	**14,173,853**	**9**
G	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	285,597,504	1,254,828,087	439
2	County Executive Refunds to CRF	-	169,816	-
3	County Assembly Refunds to CRF	-	57,687	-
Subtotal		**285,597,504**	**1,255,055,590**	**439**
Grand Total		**17,213,588,939**	**3,818,874,506**	**22**

Source: *Turkana County Treasury*

The County does not have governing legislation on the operation of ordinary A-I-A and FIF; instead, it uses national legislation. Figure 246 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

Figure 246: Turkana County Composition of Each Shilling Received in the First Quarter of FY 2025/26

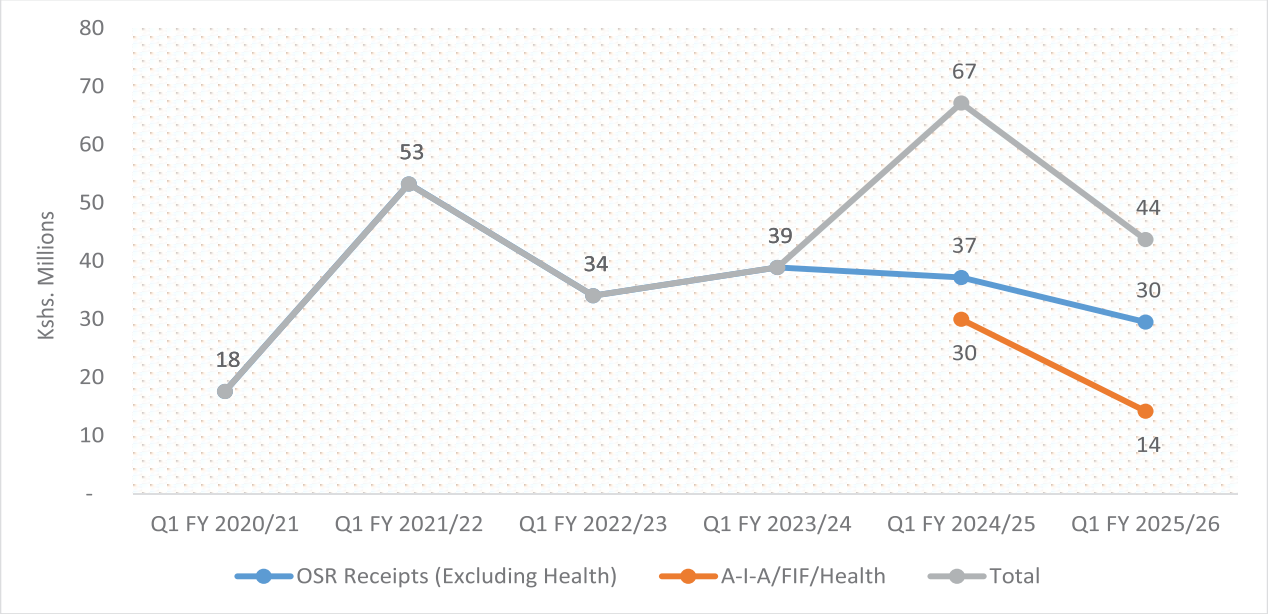


Source: *Turkana County Treasury*

The equitable share of revenue raised nationally, balance brought forward, additional allocations, and OSR contributed 59 per cent, 33 per cent, 8 per cent, and 1 per cent, respectively, of the total receipts for the reporting period.

Figure 247 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

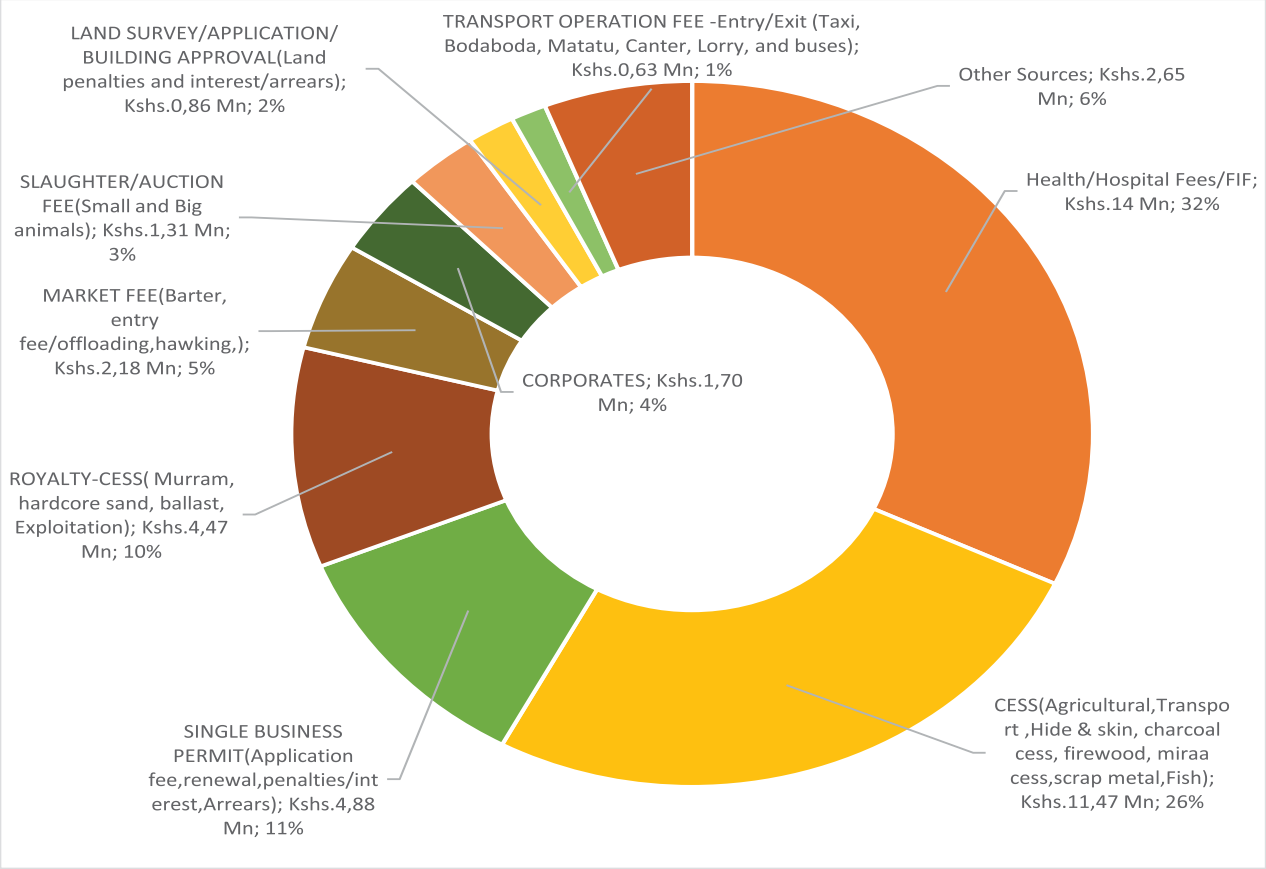
Figure 247: Turkana County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: *Turkana County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.29.51 million from its revenue sources, including FIF. This amount was a decrease of 56 per cent compared to Kshs.67.13 million realised in a similar period in FY 2024/25, and was 13 per cent of the annual target and 1 per cent of the equitable revenue share disbursed. The decrease in OSR was attributed to slow economic activity in major towns within the County. The revenue streams which contributed the highest OSR receipts are shown in Figure 248.

Figure 248: Turkana County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Turkana County Treasury

As shown in Figure 248, the highest revenue stream, at Kshs.14. million, was from FIF, accounting for 32 per cent of the total OSR receipts. The County Government indicated that it has automated 20 out of 22 revenue streams.

3.43.3 Revenue Arrears

As of 1st July 2025, the County reported that there were no revenue arrears in the review period.

3.43.4 Borrowing by the County

Turkana County Executive and Assembly have reported that they do not have a credit facility with any bank(s).

3.43.5 Exchequers Approved

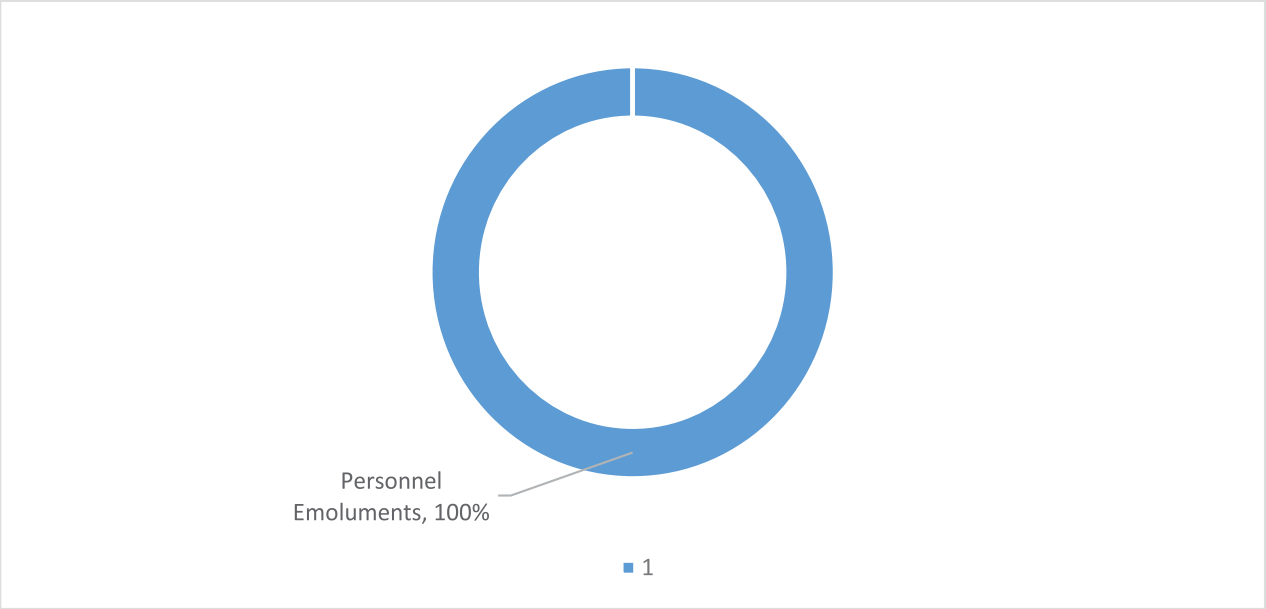
The Controller of Budget approved withdrawals of Kshs.923.77 million from the CRF account during the reporting period, which was entirely for recurrent programmes. Analysis of the recurrent exchequers released indicates that the entire amount was towards employee compensation for the County Executive. As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.1.29 billion.

3.43.6 Expenditure Review

The County spent Kshs.923.77 million on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. It all was spent on recurrent programmes. Expenditure on recurrent expenditure represented 9 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing relative composition of each shilling spent.

Figure 249: Turkana County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Turkana County Treasury*

As shown in Figure 249, the only expenditure was on personnel emoluments for the reporting period.

3.43.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.721.55 million. This amount included Kshs.571.03 million from the County Executive and Kshs.150.52 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.128.37 million for recurrent expenditures and Kshs.442.66 million for development expenditures.

During the reporting period, neither the County Executive nor the County Assembly settled any trade payables. Table 3.488 provides additional details of trade payables.

Table 3.488: Turkana County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	442,656,445	128,372,318	571,028,763
		County Assembly	121,460,148	29,064,313	150,524,461
		Total	564,116,593	157,436,631	721,553,224
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	**442,656,445**	**128,372,318**	**571,028,763**
		County Assembly	**121,460,148**	**29,064,313**	**150,524,461**
		Total	**564,116,593**	**157,436,631**	**721,553,224**

Source: *Turkana County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.135.25 million and Kshs.62.41 million, respectively, in the first quarter of FY 2025/26. The County did not adhere to this payment plan, as it did not settle any outstanding bills.

Table 3.489 and Table 3.490 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly.

Table 3.489: Turkana County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	-	-	-	**442,656,445**	**442,656,445**
Recurrent Trade Payables (Goods & Services)	-	121,460,148	-	-	**121,460,148**
Total Recurrent Trade Payables	-	**121,460,148**	-	**442,656,445**	**564,116,593**
Total Trade Payables	-	**121,460,148**	-	**442,656,445**	**564,116,593**
% of Total	-	**22**	-	**78**	**100**

Source: *Turkana County Treasury*

Table 3.490: Turkana County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**0**	**0**	**128,372,318**	**0**	**128,372,318**
Recurrent Trade Payables (Goods & Services)	0	29,064,313	0	0	**0**
Total Recurrent Trade Payables	**0**	**29,064,313**	**0**	**0**	**29,064,313**
Total Trade Payables	**0**	**29,064,313**	**128,372,318**	**0**	**157,436,631**
% of Total	%	18%	82%	%	100%

Source: *Turkana County Treasury*

Looking at the tables above, there are still trade payables that are over three years old. In this regard, it is important that the County Government should prioritise paying them on a FIFO basis. Additionally, the trade payables' action plan should be followed to the letter.

3.43.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.923.77 million for compensation of employees, as shown in Table 3.491.

Table 3.491: Turkana County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**10,658,605,357**	**883,842,882**	**973,772,870**	**0**	**9**	**0**
Compensation of Employees	5,388,561,546	419,455,731	973,772,870	0	17	0
Operations and Maintenance	5,270,043,811	464,387.151	0	0	0	0
Development Expenditure	**6,437,478,652**	**20,000,000**	**0**	**0**	**0**	**0**
Total	**17,096,084,009**	**903,842,882**	**973,772,870**	**0**	**6**	**0**

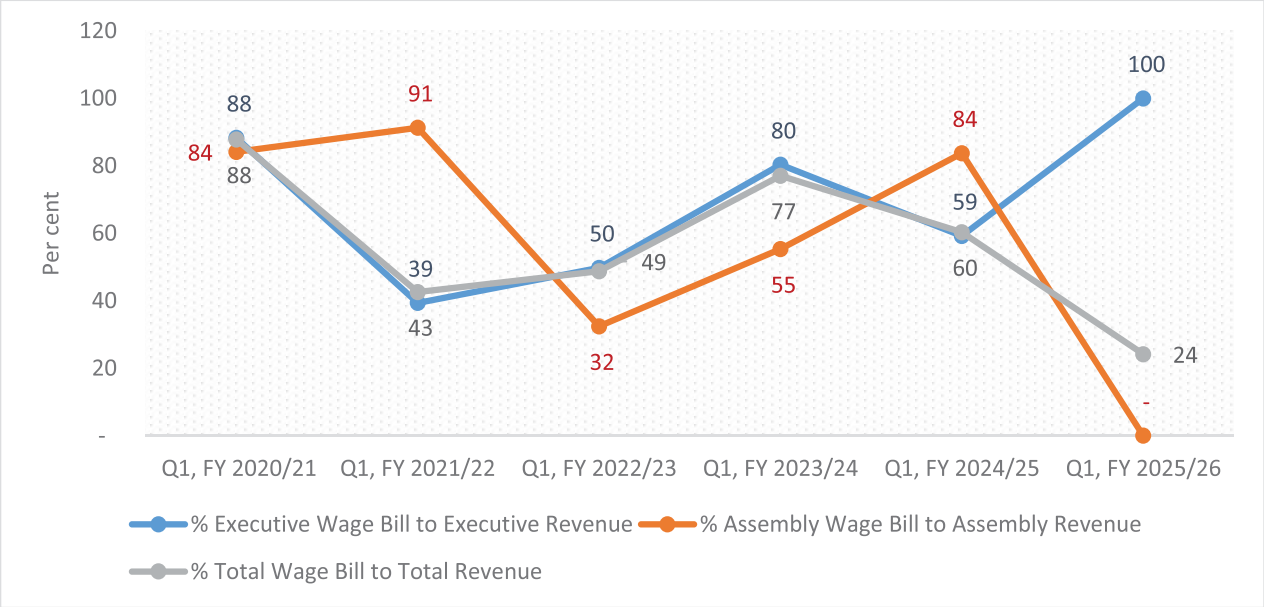
Source: *Turkana County Treasury*

3.43.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.973.77 million. The percentage of compensation of employees to revenue was 25 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.1.01 billion reported in a similar period in FY 2024/25. The County did not provide data on Health Sector employee spending or its share of overall compensation.

The decrease in employee compensation compared to a similar period in FY2024/25 was due to the County only paying for two months during this review period, compared to three months in a similar period in FY 2024/25. Figure 250 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 250: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Turkana County Treasury

As illustrated in Figure 250, the Executive has progressively increased its wage-to-revenue allocation over the years, reaching a peak of 100 per cent in the first quarter of FY 2025/26. This situation restricts funding for other services. In contrast, the Assembly reported no payments in terms of the wage-to-revenue ratio during the same quarter.

Further analysis indicated that PE costs amounting to Kshs.1.45 billion were processed through the Human Resource Information System (HRIS). In contrast, Kshs.53.73million was processed through manual payroll, which accounted for 4 per cent of the total PE cost.

During the review period, the County did not provide manual payrolls. The County Assembly did not spend on committee sitting allowances for the 48 MCAs against the annual budget allocation of Kshs.60.37 million. The County Assembly has 21 House Committees.

3.43.10 Expenditure on Operations and Maintenance

During the reporting period, the County did not spent on operations and maintenance, representing a decrease of 100 per cent compared to FY 2024/25, when the County spent Kshs.344.12 million.

3.43.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County did not allocate any funds to County-Established funds in FY 2025/26. Further, the County allocated Kshs.100 million to the Emergency Fund (1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.492 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.492: Performance of Turkana County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Turkana County Biashara Fund	2014	20,000,000	-	-	360,325,320	No

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
	Turkana County Education Fund	2014	430,000,000	-	-	3,499,245,499	Yes
	Climate Change Fund	2021	470,000,000	-	-	558,421,971	No
	Youth And Women Fund	2014	70,000,000	-	-	425,000,000	No
	Turkana County Cooperative Enterprise Fund	2014	-	-	-	96,251,070	No
	Turkana County Car Loan And Mortgage Fund	2016	-	-	-	200,822,217	No
	Turkana County Covid Fund	2020	-	-	-	606,674,113	No
	Turkana County Emergency Fund	2016	100,000,000	-	-	1,292,388,667	No
	Water Services Fund	2022	5,000,000	-	-	127,492,682	No
	Community Health Services Fund	2025	117,027,000	-	-	61,245,912	No
		County Assembly Established Funds					
	Turkana County Assembly Car Loan and Mortgage (Members) Scheme Fund	2014	-	-	-	369,120,445	No
	Turkana County Executive State and Public Officers Mortgage Scheme Fund	2016	-	-	-	252,147,682	No
	Total		**1,212,027,000**			**7,849,135,578**	

Source: *Turkana County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from 11 Fund Administrators, as indicated in Table 3.492, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **the** 5 **Funds** had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.43.12 County Corporations

The County has two County corporations, which did not receive an allocation in FY 2025/26. They did not have any expenditure for the review period, as shown in Table 3.493.

Table 3.493: Performance of Turkana County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Turkana County Rural Water Services				5,000,000
	Turkana Urban Water and Sanitation Company Limited				5,000,000
	Total				**10,000,000**

Source: *Turkana County Treasury*

3.43.13 Expenditure on Domestic and Foreign Travel

The County did not incur expenses on domestic travel during the period under review.

3.43.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.14.17 million as FIF, which was 9 per cent of the annual target of Kshs.159 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has, however, not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.52.91 million, as shown in Table 3.494.

Table 3.494: Turkana County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 5 Hospital	1	384,000,000	39,580,036	10
2.	Level 4 Hospital	8	33,980,575	5,231,300	15
3.	Level 3 Facility	16	25,504,300	6,800,800	27
4.	Level 2 Facility	115	33,158,938	1,300,000	4
	Total		**476,643,813**	**52,912,136**	**11**

Source: *Turkana County Treasury*

3.43.15 Development Expenditure

In the review period, the County reported not spending on development programmes, representing a decrease of 100 per cent compared to FY 2024/25, when the County spent Kshs.320.39 million. The decline in development expenditure was attributed to challenges with the new procurement system being introduced in the current financial year.

The County reported 19 stalled development projects as of 30 September 2025, with an estimated value of Kshs.268.90 million, of which Kshs.106.04 million has already been paid. The stalled projects are shown in Table 3.495.

Table 3.495: Turkana County Stalled Projects as of 30th September 2025

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Construction Of Manager, Deputy Manager Houses,10 Plant Operators And Technical Staff At Naotin	Kanamkemer Ward	14,896,950	10,427,865	4,469,085	70%	Not Provided
Construction Of Model Drip Irrigation At Nanyangakipi	Songot Ward	9,853,767	3,999,743	5,854,024	41%	Not Provded
Construction Of Intergrated Spate Irrigation At Nameliteny	Katilia Ward	21,229,149	12,228,422	9,000,727	58%	Not Provded
Improvement of kachoda Spate Irrigation Scheme in Lapur ward in Turkana North	Kachoda	7,889,700	6,311,766	1,577,934	83%	Not Provded
Construction Of Model Drip Irrigation At Nameguro	Loima Ward	10,911,587	4,906,700	6,004,887	45%	Not Provded
Construction of lorengikipi social hall	Lorengippi	9,831,171	4,109,204	5,721,967	63%	Not Provded

Project Name	Project Location	Estimated Value of the Project (Kshs.)	Amount Paid on the stalled project	Outstanding Balance as of 30 September 2025	Percentage of Completion Before Stalling of the Project	Reason for Project Stalling
Construction of nadoto ecde	Nadoto	8,455,000	3,331,465	5,123,535	53%	Not Provded
Construction Of Perimeter Wall At Kakuma Rescue Centre	Kakuma	6,845,095	5,823,175	1,021,920	85%	Not Provded
Completion Of Nasura Dispensary	Kangatotha	9,700,000	4,365,000	5,335,000	45%	Not Provded
Completion Of Doctor'S Flats	Township	9,850,760	4,971,476	4,879,284	50%	Not Provded
Construction Of Ikalale Dispensary		9,868,890	4,449,508	5,419,382	45%	Not Provded
Construction Of Governors Residence	Headquarters	90,000,000	14,514,160	75,485,840	16%	Not Provded
Construction of a health facility at lorus dispensary	Kaaleng/ Kaikor	8,977,979	3,659,030	5,318,949	41%	Not Provded
Completion Of Nasura Dispensary	Kangatotha	9,700,000	3,589,000	6,111,000	37%	Not Provded
Proposed Construction Of Lochor Edome Dispensary Lapur Ward	Lapur	14,854,230	6,006,294	8,847,936	40%	Not Provded
Proposed Construction Of Opd Block & 2 Door Pit Latrine At Nasura Kangatotha Ward	Kangatotha	9,321,010	4,940,135	4,380,875	53%	Not Provded
Construction Of Eco Toilet At Eliye 4 Door	Kangatotha	3,934,536	1,227,524	2,707,012	80%	Not Provded
COnst of office store for kakuma tree nursery	Kakuma	2,986,044	1,791,626	1,194,418	95%	Not Provded
Rehabilitation of Apa lokaal water project	LOKORI	9,796,200	5,391,288	4,404,912	55%	Not Provded

Source: *Turkana County Treasury*

3.43.16 Budget Performance by Department

Table 3.496 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.496: Turkana County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance	361.92	-	-	-	-	-	-	-	-	-
Office of the Deputy Governor	43.78	-	-	-	-	-	-	-	-	-
County Attorney	60.88	-	-	-	-	-	-	-	-	-
Finance and Economic Planning	488.25	446.46	-	-	-	-	-	-	-	-
Water Services	59.22	590.80	-	-	-	-	-	-	-	-
Health Services and Sanitation	1,365.42	588.70	-	-	-	-	-	-	-	-
Trade, Gender and Youth Affairs	150.91	286.50	-	-	-	-	-	-	-	-
Education, Sports and Social Protection	756.09	526.30	-	-	-	-	-	-	-	-
Public Service, Administration. & Disaster Management	6,405.55	432.50	923.77	-	923.77	-	100	-	14	-

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Roads, Transport & Public Works	74.38	273.65	-	-	-	-	-	-	-	-
Agriculture, Livestock Development and Fisheries	128.92	1,489.50	-	-	-	-	-	-	-	-
Tourism, Culture, Natural Resources and Climate Change	66.27	772.10	-	-	-	-	-	-	-	-
Lands, Physical Planning and Urban Development	136.37	20.00	-	-	-	-	-	-	-	-
County Assembly	863.84	20.00	-	-	-	-	-	-	-	-
County Public Service Board	92.87	-	-	-	-	-	-	-	-	-
Lodwar Municipality	44.60	274.73	-	-	-	-	-	-	-	-
Kakuma Municipality	23.72	716.24	-	-	-	-	-	-	-	-
Total	**11,122.99**	**6,437.48**	**923.77**	**-**	**923.77**	**-**	**100**	**-**	**8**	**-**

***Source**: Turkana County Treasury*

The Department of Public Service, Administration. & Disaster Management had the highest percentage of recurrent expenditure to budget at 14 per cent and was the only department that incurred expenditure in the first quarter of FY 2025/26.

3.43.17 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: General Administration services in the Department of Public Services, Administration and Disaster Management at 100 per cent, General Administration, Planning and Support Service in the Office of the Governor at 35 per cent, General Administration, Planning and Support Services- Liaison Office in the Office of the Governor and General Administration - Economic planning in the Department of Public Services, Administration and Disaster Management both at 27 per cent of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.43.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 27 accounts with commercial banks, including ten accounts for Established Funds, two revenue accounts, eight special purpose accounts (additional allocations), four imprest accounts, two recurrent operational accounts and one development operational account.

The County Treasury did not submit copies of authorisation letters to the Controller of Budget for opening 26 commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.43.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was fully received on 10th November 2025.

ii. The underperformance of own-source revenue at Kshs.29.51 million against an annual target of Kshs.221 million, representing 13 per cent of the financial year target.
iii. Low development performance in the review period as the County did not incur any funds for development activities, achieving a zero per cent absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the lifespan of the Turkana County Biashara Fund, Turkana County Education Fund, Youth and Women Fund and the Turkana County Cooperative Enterprise Fund had lapsed, making them ineligible for further withdrawals.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the all the funds except the Turkana Education Fund were not submitted to the CoB as of 15 July 2025.
vi. High level of trade payables, which amounted to Kshs.721.55 million as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
vii. Use of manual payroll. Personnel emoluments amounting to Kshs.53.73 million for staff not onboarded into HRIS and casual staff were processed through manual payroll, accounting for 4 per cent of the total payroll cost. Manual payroll is prone to abuse and may result in the loss of public funds.
viii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
ix. There was poor mapping of programs on IFMIS, leading to an incomprehensible understanding of the performance in the review period.
x. The County has stalled projects valued at Kshs.268.90 million, with Kshs.106.04 million paid (39 per cent). The reasons for the stalling were not provided, but it implies delays in achieving objectives and potential loss of value for money.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.*
vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*
vii. *The Government requires that salaries be processed through the HRIS system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Furthermore, strict adherence to the approved staff establishment should be maintained.*
viii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*
ix. *The County Treasury should adhere to having the approved budget on IFMIS reflect the true position.*
x. *The County Executive should prioritise and fast-track feasible stalled projects in the budget, ensuring they are monitored for completion. Additionally, enhancing cash flow forecasting and commitment controls is essential to start projects only with secured funding, along with maintaining a register for multi-year obligations to align projects with the budget.*

3.44. County Government of Uasin Gishu

3.44.1 Overview of FY 2025/26 Budget

The Uasin Gishu County Approved Budget for FY 2025/26 is Kshs.10.18 billion. It comprises Kshs.3.04 billion (30 per cent) and Kshs.7.13 billion (70 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.5.0. billion (33 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.6.36 billion and a recurrent budget of Kshs.8.80 billion. The decrease in the budget was primarily attributed to the exclusion of opening balances and also conditional funds from the budget.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.8.81 billion (87.2 per cent and Kshs.1.3 billion (12.8 per cent) generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.497.

3.44.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.2.33 billion in revenue. This amount represented a decrease of 11 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.147.24 million. The total revenue consisted of Kshs.2.20 billion from the equitable share of revenue raised nationally, as well as the own-source revenue (OSR) collection of Kshs.131.57 million. The County did not have a cash balance from FY 2024/25. The total OSR collection of Kshs.131.57 million included Facilities Improvement Financing (FIF) of Kshs.5.91 million and Ksh.125 million from other OSR. Table 3.497 summarises the total revenue available to the County Government during FY 2025/26.

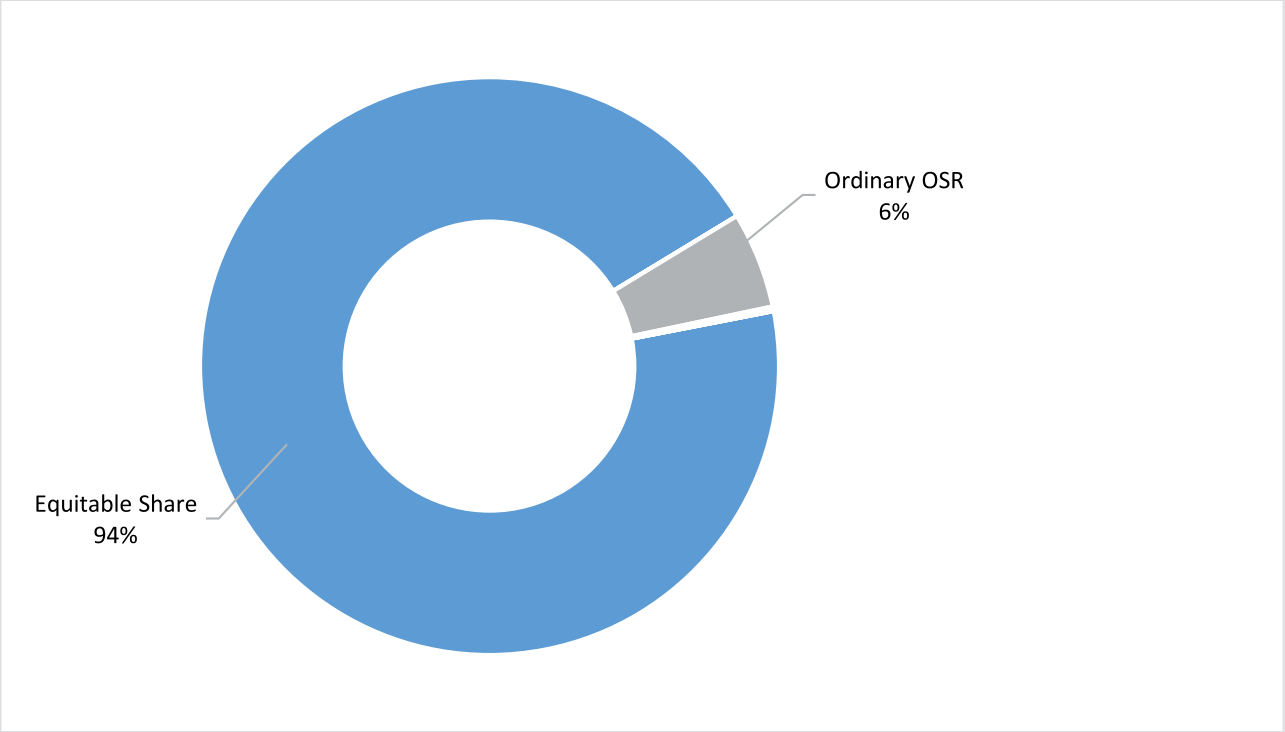
Table 3.497: Uasin Gishu County, Revenue Performance in FY 2025/26

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	8,881,021,786.00	2,201,361,403.00	25
Sub-Total	**8,881,021,786.00**	**2,201,361,403.00**	**25**
B. Additional Allocations			
Additional Allocation 1	0		-
Sub-Total	0	0	-
C. Other Sources of Revenue			
Ordinary Own Source Revenue	1,300,000,000.00	125,651,431.80	10
Balance b/f from FY2024/25			
Balance at CRF	-		-
County Executive Refund to CRF	-		-
County Assembly Refund to CRF	-		-
Facility Improvement Fund (FIF)			
SHIF	-		-
Defunct NHIF	-		-
Other FIF	-		-
Other Revenues	-		-
Appropriation in Aid (AIA)	-		-
Sub-Total Other Sources	1,300,000,000.00	131,565,810.80	10
Grand Total	10,181,021,786.00	2,332,927,213.80	23

Source: *Uasin Gishu County Treasury*

Figure 251 provides a detailed breakdown of revenue, showing the amount received for each shilling.

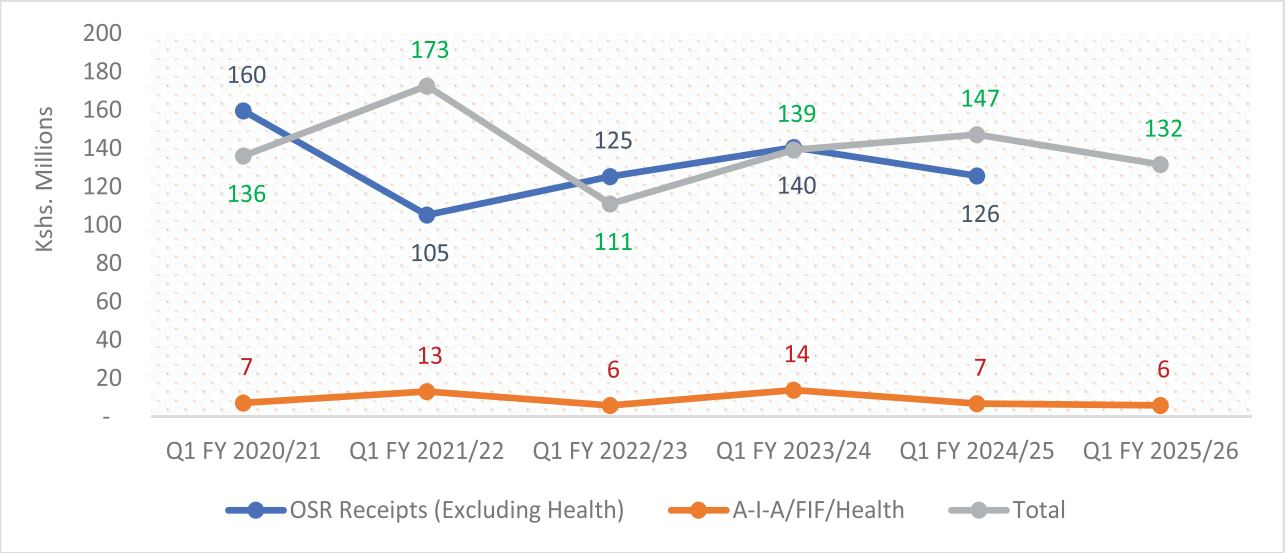
Figure 251: Uasin Gishu County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Uasin Gishu County Treasury*

The equitable share of revenue raised nationally and OSR contributed 94 per cent and 6 per cent respectively of the total revenue for the reporting period. Figure 252 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 252: Uasin Gishu County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

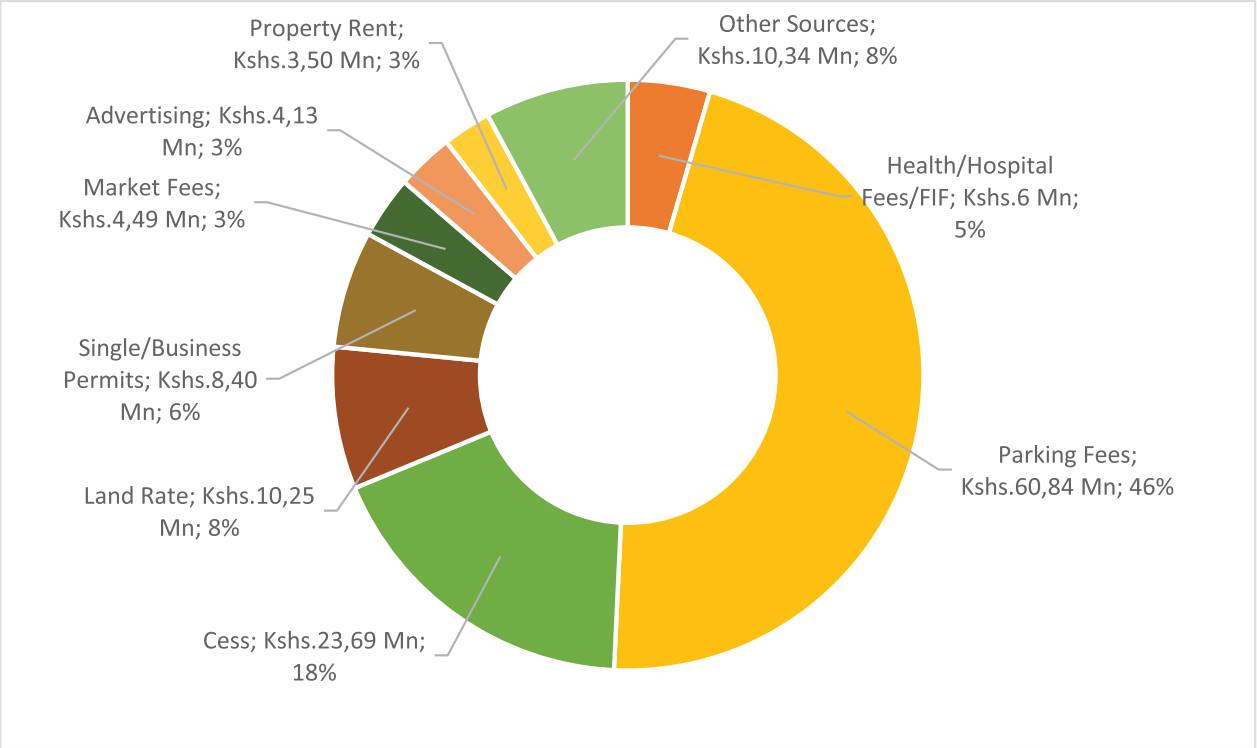


Source: *Uasin Gishu County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.131.57 million from its revenue sources, including FIF. This amount was a decrease of 11 per cent compared to Kshs.147.24 million realised in a similar period in FY 2024/25, and was 10 per cent of the annual target and 6 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR revenue are shown in Figure 253.

Figure 253: Uasin Gishu County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Uasin Gishu County Treasury

As shown in Figure 253, the highest revenue stream, at Kshs.60.84 million, was from Parking fees, accounting for 46 per cent of the total OSR revenue. The County Government indicated that it has automated 37 out of 57 revenue streams.

3.44.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.2.3 billion; this amount remained constant as of 30th September 2025. Table 3.498 presents a breakdown of the County's revenue arrears.

Table 3.498: Uasin Gishu County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2025/26			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in First Quarter of FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
	Ordinary Own Sources of Revenue	2,320,045,654				2,320,045,654
Total		2,320,045,654	-	-	-	2,320,045,654

Source: Uasin Gishu *County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.2.3 billion.

3.44.4 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.1.48 billion from the CRF account during the reporting period, which comprised Kshs.1.48 billion (100 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.1.13 billion was towards employee compensation, and Kshs.366.99 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 2 per cent was for domestic travel. The domestic travel exchequer amounted to Kshs.14.59 million and included Kshs.9.70 million for the County Exec-

utive and Kshs.4.90 million for the County Assembly. The foreign exchequer totalled Kshs.4.50 million for the County Executive.

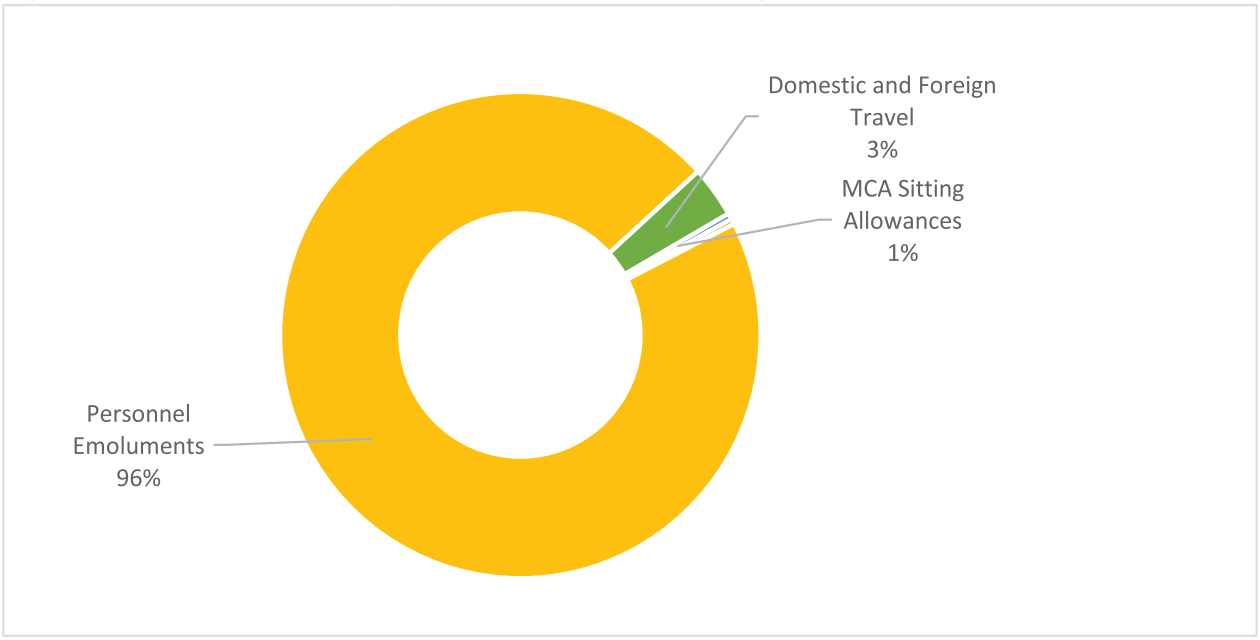
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.790.10 million.

3.44.5 Expenditure Review

The County did not incur expenditure on development. However, Kshs.1.42 million was incurred on recurrent programmes in the reporting period. The expenditure represented 93 per cent of the total funds released by the CoB. The expenditure represented 14 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 254: Uasin Gishu County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: Uasin *County Treasury*

As shown in Figure 254, the three highest expenditure categories were personnel emoluments, Domestic and foreign travel, and MCA sitting allowances, contributing 96 per cent, 3 per cent, and 1 per cent of the total expenditure for the reporting period.

3.44.6 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.55 billion. This amount included Kshs.1.44 billion from the County Executive and Kshs.107.13 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.35 billion for recurrent expenditures and Kshs.199.65 million for development expenditures.

During the reporting period, the County Executive and County Assembly did not settle any trade payables. The outstanding trade payables as of 30th September 2025 were Kshs.1.44 billion for the County Executive and Kshs.107.13 million for the County Assembly. Table 3.499 provides additional details of trade payables.

Table 3.499: Uasin Gishu County Trade Payables as of 30th September 2025

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	County Executive	199,652,333	1,238,530,152	1,438,182,484
	County Assembly	-	107,128,805	107,128,805
	Total	199,652,333	1,345,658,957	1,545,311,289

	County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Amount paid in FY 2025/26	County Executive	-	-	-
	County Assembly	-	-	-
	Total	-	-	-
Pending Bills Incurred in FY 2025/26	County Executive	-		-
	County Assembly	-	-	-
	Total	-	-	-
Outstanding pending bills as of 30 September 2025 (Kshs.)	County Executive	199,652,333	1,238,530,152	1,438,182,484
	County Assembly	-	107,128,805	107,128,805
	Total	**199,652,333**	**1,345,658,957**	**1,545,311,289**

Source: *Uasin Gishu County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.199.56 million and Kshs.107.13 million, respectively, in FY 2025/26. The County did not adhere to this payment plan.

Table 3.500 and Table 3.501 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.55 billion.

Table 3.500: Uasin Gishu County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**184,168,657.95**	**15,483,674.66**			**199,652,332.61**
Recurrent Trade Payables (Goods & Services)	434,733,603.82	210,622,685.26	403,677,637.21	33,063,515.00	**1,082,097,441.29**
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	156,432,710.28				**156,432,710.28**
Recurrent Trade Payables (Staff Claims)					-
Total Recurrent Trade Payables	591,166,314.10	210,622,685.26	403,677,637.21	33,063,515.00	**1,238,530,151.57**
Total Trade Payables	**775,334,972.05**	**226,106,359.92**	**403,677,637.21**	**33,063,515.00**	**1,438,182,484.18**
% of Total	**53.9%**	**15.7%**	**28.1%**	**2.3%**	**100%**

Source: *Uasin Gishu County Treasury*

Table 3.500 shows that over 60 per cent of the County Executive's trade payables as of September 30, 2025, are two years old or less—54 per cent are under one year, and 16 per cent are between one and two years. The Executive should prioritise clearing older bills based on the first-in, first-out principle, as stated in Regulation 55(1) (b) of the PFM (County Governments) Regulations 2015.

Table 3.501: Uasin Gishu County Assembly Pending Bill Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables					-
Recurrent Trade Payables (Goods & Services)	21,359,571	7,490,852	3,246,232	9,255,683	41,352,338
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	65,776,467	-	-	-	65,776,467
Recurrent Trade Payables (Staff Claims)					-
Total Recurrent Trade Payables	87,136,038	7,490,852	3,246,232	9,255,683	107,128,805
Total Trade Payables	87,136,038	7,490,852	3,246,232	9,255,683	107,128,805
% of Total	**81**	**7**	**3**	**9**	**100**

Source: *Uasin Gishu County Treasury*

Table 3.501 indicates that 81% of the Assembly's trade payables are due within one year, with 7% aged between one and two years. Efforts should focus on reducing new trade payables, with priority given to settling existing bills.

3.44.7 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs 1.07 billion for employee compensation, Kshs 249.07 million for operations and maintenance, and no funds for development activities. Similarly, the County Assembly incurred Kshs.76.93 million on employee compensation, Kshs.20.54 million on operations and maintenance, and no funds were allocated for development activities, as shown in Table 3.502.

Table 3.502: Uasin Gishu County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	Executive	Assembly	Executive	Assembly	Executive	Assembly
Total Recurrent Expenditure	**6,335,238,053.00**	**762,248,662.00**	**1,318,308,053.85**	**97,473,777.00**	**20.8**	**12.8**
Compensation of Employees	4,234,122,017.00	387,998,662.00	1,069,235,211.00	76,930,006.00	25.3	19,8
Operations and Maintenance	2,101,116,036.00	374,250,000.00	249,072,842.85	20,543,771.00	11.9	5.5
Development Expenditure	**2,963,310,564.00**	**110,000,000.00**	-	-	-	-
Total	**9,298,548,617.00**	**872,248,662.00**	**1,318,308,053.85**	**97,473,777.00**	**14.2**	**11.2**

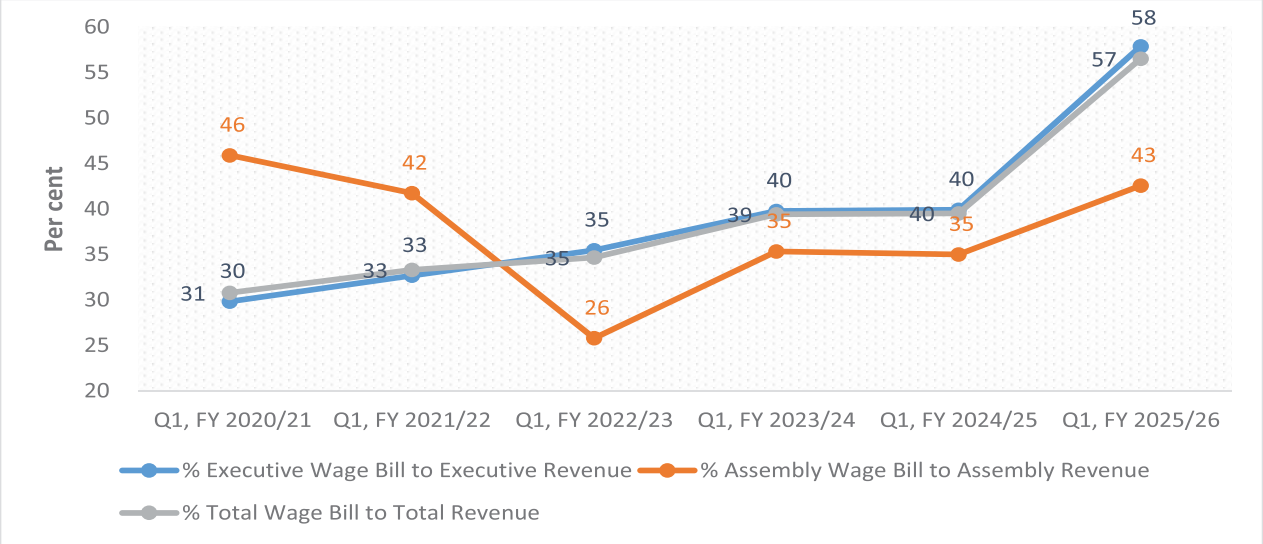
***Source**: Uasin Gishu County Treasury*

3.44.8 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.1.15 billion. The percentage of compensation of employees to revenue was 49.1 per cent. This expenditure on employee compensation shows. a decrease compared to the Kshs.1.19 billion reported in a similar period in FY 2024/25. Of this total, Kshs.554.51million related to the Health Sector employees, which accounted for 48.38 per cent of the overall employees' compensation.

Figure 255 shows the trend in employees' compensation as a percentage of total revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 255: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Uasin Gishu County Treasury

Figure 255 shows that the Assembly apportioned 43 per cent of their inflows in the first quarter of FY 2025/26 towards compensation of employees while the Executive apportioned 58 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

Further analysis revealed that all PE costs, amounting to Kshs 1.15 billion, were processed through the Human Resource Information System (HRIS). The manual payroll included gratuity remittances to pension schemes for staff on contract, as well as LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.503.

Table 3.503: Breakdown of Uasin Gishu County Manual Payroll

Category	County Executive	County Assembly	Total
Gratuity for contract staff	18,567,275.00		18,567,275.00
1997 Community Health Workers	9,985,000.00		9,985,000.00
Total	**28,552,275.00**	**-**	**28,552,275.00**

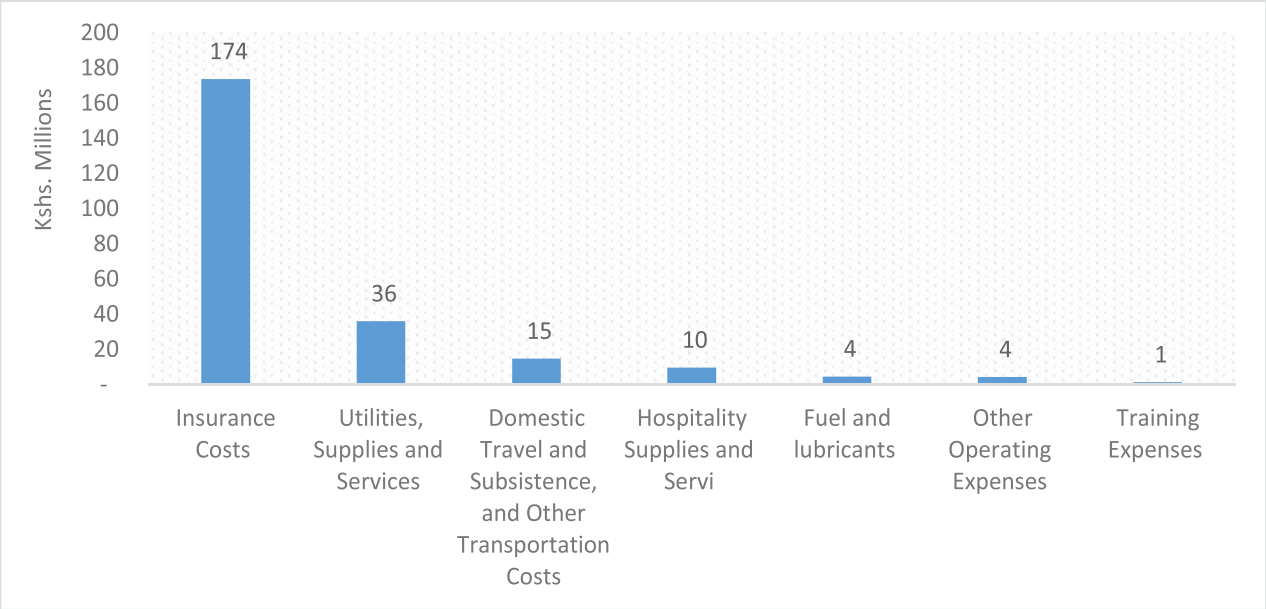
Source: Uasin Gishu County Treasury

The County Assembly incurred Kshs.4.90 million on committee sitting allowances for the 44 MCAs against the annual budget allocation of Kshs.39.92 million. The average monthly sitting allowance was Kshs.111.288 per MCA. The County Assembly has 34 House Committees.

3.44.9 Expenditure on Operations and Maintenance

During the reporting period, the County incurred Kshs.269.62 million on operations and maintenance, representing a decrease of 18.2 per cent compared to FY 2024/25, when the County incurred Kshs.329.5 million. Figure 256 summarises the Operations and Maintenance expenditure by major categories.

Figure 256: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories



Source: *Uasin Gishu County Treasury*

3.44.10 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.4.17 million under "other Operating expenses" translates to 1.5 per cent of the cumulative operations and maintenance expenditure of Kshs.269.62 million. The disaggregated items under the "*Other Operating Expenses*" category were not provided at the time of reporting.

3.44.11 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.125.07 million to County-Established funds in FY 2025/26. Table 3.504 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.504: Performance of Uasin Gishu County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in FY 2025/26 (Kshs.)	Actual Expenditure in FY 2025/256(Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Annual Financial Statements (Yes/ No)
	County Executive Established Funds					
1	Uasin Gishu County Emergency Fund-Governor	70,000	-	-	275,096,374	Yes
2	Uasin Gishu County Enterprise Development Fund (Co-op)	-	-	-	634,755,449	Yes
3	Uasin Gishu County Inua Biashara Fund (trade)	-	-	-	353,612,396	Yes
4	Uasin Gishu County Bursary and Skills Development Support Fund	25,000,000	-	-	12,386,200,000	Yes
5	Car Loan & Mortgage - County Executive(governor)	100,000,000	100,000,000	100,000,000	250,000,000	Not yet
6	Uasin Gishu TVET Fund		-	-	325,382,015	Yes
7	County Education Revolving Fund	-	-	-	322,115,883	Yes
8	Uasin Gishu Alcohol Drinks Control Fund	-	-	-	36,643,826	Yes
	County Assembly Established Funds					
9	Car Loan & Mortgage - County Assembly	-	-	-	325,272,646	Not yet
	Total	**125,070,000**	**100,000,000**	**Corporations**	**14,909,078,589**	

Source: *Uasin Gishu County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from Fund Administrators, as indicated in Table 3.504, contrary to the requirement of Section 168 of the PFM Act, 2012. The County did not disclose the administration costs of all the funds.

3.44.12 County Corporations

The County has not established County Corporations.

3.44.13 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.31.4 million and comprised Kshs.16.81 million incurred by the County Assembly and Kshs.14.59 million by the County Executive. There was no expenditure on foreign travel during the period.

3.44.14 Facility Improvement Financing

During the review period, the County reported collections of Kshs.5.91 million as FIF, the County did not provide the annual target for the FIF in its estimates. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The expenditure by the health facilities was not provided at the time of reporting.

3.44.15 Development Expenditure

In the review period, the County did not report incurring on development programmes. The County also did not report any stalled development projects as of 30 September 2025. Table 3.505 summarises the approved

budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.505: Uasin Gishu County, Budget Allocation and Absorption Rate by Department

Department	Budget Allocation (Kshs. Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	762.25	110	70.79	-	70.79	-	100	-	9.3	-
Governor's Office	98.58	-	19.53	-	19.53	-	100	-	19.8	-
Finance	517.66	-	182.97	-	182.97	-	100	-	35.3	-
Public Service Management	891.67	-	308.87	-	308.87	-	100	-	34.6	-
ICT, E-Government and Innovation	59.21	42.6	9.23	-	9.23	-	100	-	15.6	-
Roads, Transport and Public Works	635.61	948.83	113.27	-	113.27	-	100	-	17.8	-
Health Services	1,579.90	175	515.72	-	515.72	-	100	-	32.6	-
Agriculture, Livestock and Fisheries	208.6	104.22	50.96	-	50.96	-	100	-	24.4	-
Trade, Industry, Investment and Tourism	85.64	116.11	18.43	-	18.43	-	100	-	21.5	-
Education and Vocational Training	565.11	207.32	89.74	-	89.74	-	100	-	15.9	-
County Public Service Board	69.67	-	15.93	-	15.93	-	100	-	22.9	-
Economic Planning	107.67	-	10.17	-	10.17	-	100	-	9.4	-
Administration and Devolution	113.23	40	-	-	-	-	-	-	-	-
Youth and Sports Development	218.77	78.15	1.57	-	1.57	-	100	-	0.7	-
Co-Operatives and Enterprise Development	36.72	16.5	15.25	-	15.25	-	100	-	41.5	-
Livestock Development and Fisheries	44.05	199.12	9.14	-	9.14	-	100	-	20.7	-
Eldoret Municipality	94.19	85	15.77	-	15.77	-	100	-	16.7	-
Promotive and Preventive Health	546.18	96.74	136.03	-	136.03	-	100	-	24.9	-
Energy, Environment, Climate Change and Natural Resources	44.3	292.57	9.65	-	9.65	-	100	-	21.8	-
Partnership, Liaison and Linkages	32.17	-	6.18	-	6.18	-	100	-	19.2	-
Gender, Social Protection and Culture	90.12	42.62	21.69	-	21.69	-	100	-	24.1	-
Housing and Urban Development	39.2	65	7.96	-	7.96	-	100	-	20.3	-
Lands and Physical Planning	53.15	51.42	11.86	-	11.86	-	100	-	22.3	-
Water, Irrigation and Sanitation	166.08	383.69	30.5	-	30.5	-	100	-	18.4	-
Office of the County Attorney	66.39	-	8.94	-	8.94	-	100	-	13.5	-
Total	**7,126**	**3,054.91**	**1,680.12**	**-**	**1,680.12**	**-**	**2,400**	**-**	**503**	**-**

Source: *Uasin Gishu County Treasury*

Analysis of expenditure by departments shows that the Department of Cooperative and Enterprise Development recorded the highest recurrent budget absorption rate at 42 per cent, followed by the Department of Finance at 35 per cent.

3.44.16 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Public finance management in the Department of Finance and Economic Planning at 37 per cent, Administration and support services in the Department of Public service management at 35 per cent and Economic Policy Management in the Department of Economic planning at 30 per cent of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.44.17 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 160 accounts in commercial banks, including 129 accounts for Health Facilities, 4 accounts for Vocational Training Centres, 12 accounts for Established Funds, 8 revenue accounts and 12 special purpose accounts (additional allocations).

The County Treasury had not submitted copies of authorisation letters to the Controller of Budget for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.44.18 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 27th October 2025.
ii. The underperformance of own-source revenue at Kshs.131.56 million against an annual target of Kshs.1.30 billion, representing 10.1 per cent of the financial year target which is below the expected 25 per cent.
iii. Low development performance in the review period as the County did not incurred on development activities.
iv. High level of trade payables, which amounted to Kshs.1.15 billion as of 30 September 2025. Further, there was non-adherence to the payment plan for the trade payables by the County Treasury.
v. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.
vi. The County reported revenue arrears of Kshs.2.32 billion on OSR. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are*

aligned with available revenue.

iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iv. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the trade payables Action Plan should be enforced.*

v. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

vi. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

3.45. County Government of Vihiga

3.45.1 Overview of FY 2025/26 Budget

The County Government of Vihiga's Approved Budget for FY 2025/26 is Kshs.6.91 billion. It comprises Kshs.2.16 billion (31 per cent) and Kshs.4.75 billion (69 per cent) allocation for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.193.27 million (3 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.29 billion and a recurrent budget of Kshs.4.82 billion. The budget decrease was primarily due to the exclusion of the balance brought forward.

The budget is to be financed from various revenue sources. These include: the equitable share of revenue raised nationally, amounting to Kshs.5.42 billion (78 per cent), additional allocations of Kshs.1.11 billion (16 per cent), and Kshs.378.28 million (6 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.506.

3.45.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.01 billion in revenue. This amount represented an increase of 6 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.952.23 million. The total revenue consisted of Kshs.930.60 million from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.79.34 million. The total OSR collection of Kshs.79.34 million included Facilities Improvement Financing (FIF) of Kshs.46.42 million, and Kshs.32.92 million from other OSR sources. Table 3.506 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.506: Vihiga County, Revenue Performance in FY 2025/26

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	**5,423,932,256**	**930,598,504**	**17**
	Subtotal	**5,423,932,256**	**930,598,504**	**17**
B	**Equalisation Fund Disbursement**	-	-	
	Subtotal	-	-	
C	**Additional Allocations**			
1	Aggregated Industrial Parks Programme	250,000,000	-	-
2	Community Health Promoters (CHPS)	33,984,188	-	-
3	IDA FLLOCA (CCRI)	162,765,059	-	-
4	Kenya Devolution Support Programme - KDSP I (GRANT)	37,500,000	-	-
5	Kenya Devolution Support Programme - KDSP II (GRANT)	352,500,000	-	-
6	Kenya Urban Support Programme - UIG Grant	35,000,000	-	-
7	National Agriculture Value Chain Development Projects (NAVCDP)	231,500,000	-	-
8	DANIDA	7,166,250	-	-
	Subtotal	**1,110,415,497**	-	-

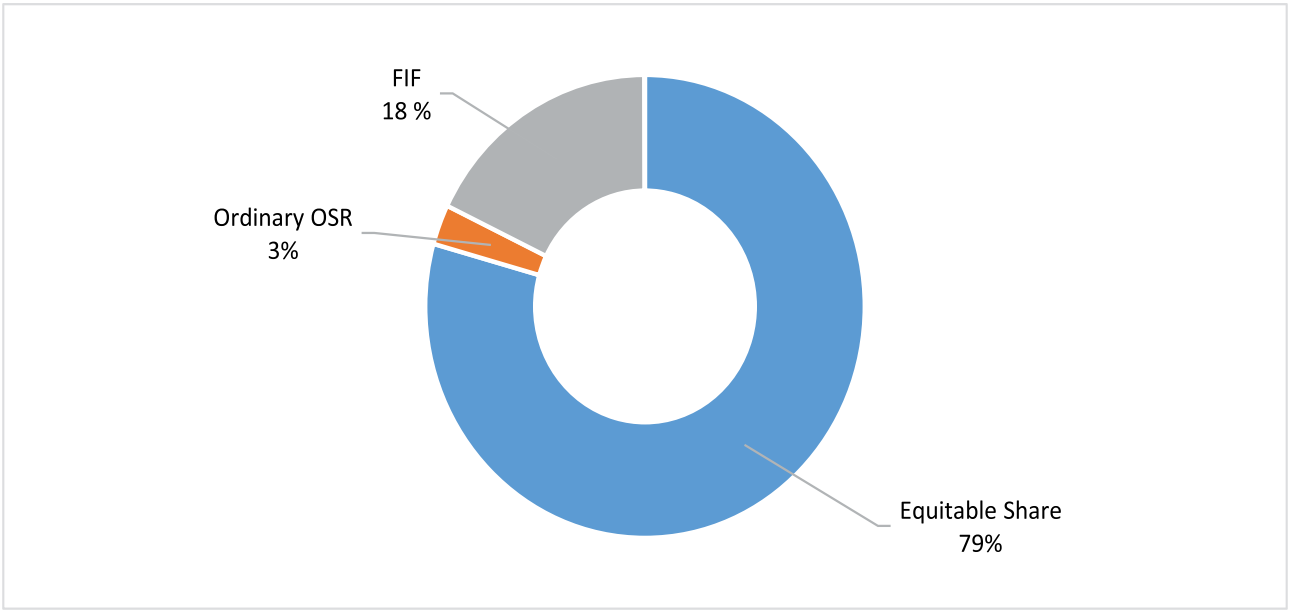
S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
D	**Ordinary Own Source Revenue (OSR)**			
1	Parking Fees	6,413,307	1,541,201	24
2	Bus Park	27,828,003	9,889,066	36
3	Markets	11,003,436	3,741,110	34
4	Single business permits	45,202,182	4,912,940	11
5	Single Business Permit application	187,000	55,500	30
6	Conservancy fees	6,542,000	910,000	14
7	Single Business Permit Penalty	261,640	58,491	22
8	Fines and penalties	858,371	218,700	25
9	Land rates	579,306	284,439	49
10	Stall rent	2,612,356	491,500	19
11	House rent	3,249,075	996,500	31
12	Commission	1,462,263	374,373	26
13	Sand/ murram	2,214,100	640,530	29
14	Gold	90,100	117,000	130
15	Plan app and approval	1,449,750	693,300	48
16	Physical planning	2,400,900	1,333,500	56
17	Ground/ site rent	370,475	182,260	49
18	Advertisements	3,887,399	232,100	6
19	Wall & vehicle branding	16,542,600	107,000	1
20	Land boundary\disputes	140,000	170,000	121
21	Slaughter management	1,902,030	299,490	16
22	Stock sales	3,239,380	973,700	30
23	Motorbike stickers	5,320,500	1,571,650	30
24	Weights & measures	488,800	54,900	11
25	Signages	1,348,668	142,500	11
26	Wayleave application	1,860,484	71,000	4
27	Veterinary & fisheries	2,176,556	785,310	36
28	Search fees	5,000	23,000	460
29	Renovation	245,400	103,500	42
30	Building inspection fee	957,000	260,000	27
31	Hire of machines	70,000	258,060	369
32	Fire Inspection fee	990,500	175,500	18
33	Scrutiny mechanical	1,289,620	194,000	15
34	Scrutiny electrical	1,237,720	150,500	12
35	Noise pollution	183,200	75,000	41
36	Toilet fees	300,190	69,200	23
37	Hoarding	159,000	78,000	49
38	Clearance Certificate fees	16,000	3,000	19
39	Change of user	229,000	92,000	40
40	Tea Cess	3,434,173	415,361	12
41	Hire of ground	60,000	33,000	55
42	Cooperatives	58,674	15,000	26
43	Disposal of County Assets	4,644,250	24,970	1
Subtotal		**163,510,408**	**32,885,351**	**20**
E	**Facility Improvement Fund (FIF)**			
1	SHIF	-	-	-

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual Revenue (Kshs.)	Actual Revenue as Percentage of Budget Allocation (%)
2	Defunct NHIF	160,560,524	35,044,089	22
3	FIF	43,015,061	10,275,048	24
4	Public Health	5,131,585	633,595	12
Subtotal		**208,707,170**	**45,952,732**	**22**
F	**Other AIAs**			
1	Name of AIA	-	-	-
Subtotal		-	-	-
G	**Other Sources of Revenue**			
1	Vihiga FM Radio	514,089	67,200	13
2	Liquor License	5,546,821	472,000	9
Sub-Total		**6,060,910**	**539,200**	**21**
Grand Total		**6,912,626,241**	**1,009,908,587**	**15**

Source: *Vihiga County Treasury*

The County has governing legislation on the operation of ordinary A-I-A and FIF. Figure 257 provides a detailed breakdown of revenue, showing the amount received for each shilling.

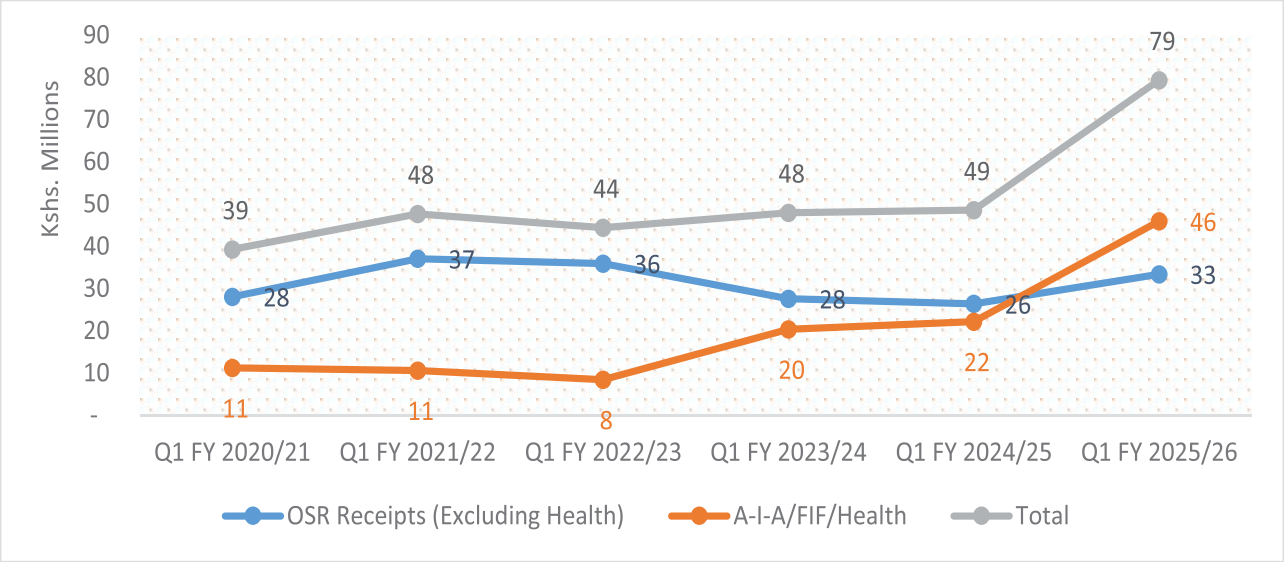
Figure 257: Vihiga County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Vihiga County Treasury*

The equitable share of revenue raised nationally, FIF, and OSR contributed 79 per cent, 18 per cent, and 3 per cent, respectively, of the total receipts for the reporting period. Figure 258 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 258: Vihiga County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

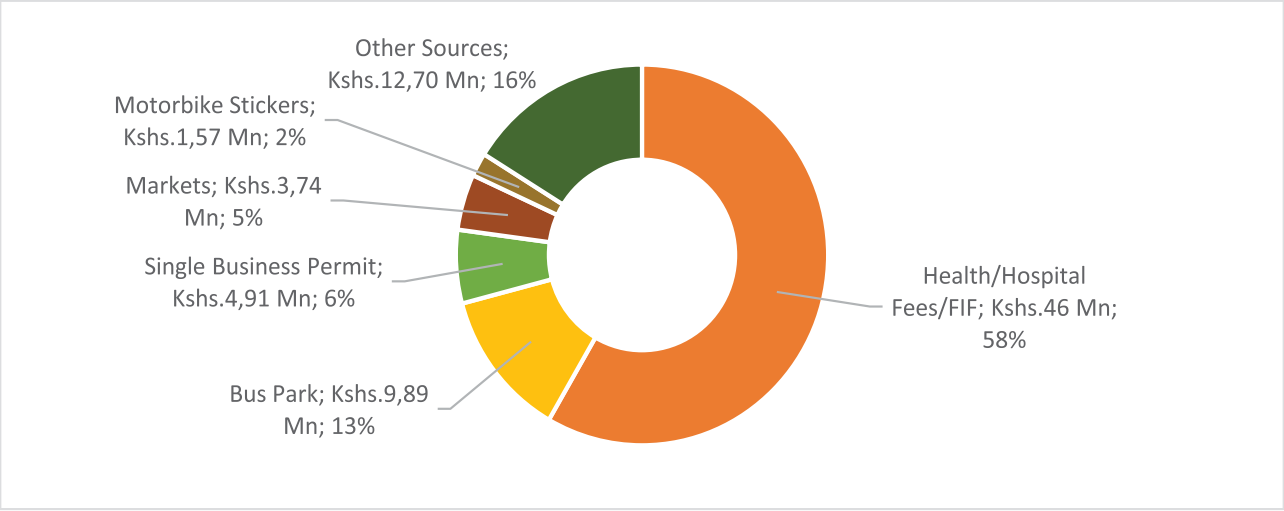


Source: *Vihiga County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.79.31 million from its revenue sources, including FIF. This amount was an increase of 51 per cent compared to Kshs.52.57 million realised in a similar period in FY 2024/25, and was 21 per cent of the annual target and 9 per cent of the equitable revenue share disbursed.

The increase in OSR was attributed to enhanced enforcement measures and increased revenue streams. The revenue streams that contributed the most to OSR receipts are shown in Figure 259.

Figure 259: Vihiga County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Vihiga County Treasury

As shown in Figure 259, the highest revenue stream, at Kshs.46.00 million, was from Health/Hospital/FIF, accounting for 58 per cent of the total OSR receipts. The County Government indicated that it has automated 46 out of 48 revenue streams.

3.45.3 Revenue Arrears

The County did not report any revenue arrears as of 30th September 2025.

3.45.4 Borrowing by the County

Vihiga County Executive has a credit facility with KCB bank totalling Kshs.137.67 million. The credit facility was used to pay basic salaries to County staff during the review period, as per a memorandum between the County and Kenya Commercial Bank. The County did not have any outstanding amounts as of 30th September, 2025.

3.45.5 Exchequers Ap proved

The Controller of Budget approved withdrawals of Kshs.684.09 million from the CRF account during the reporting period, which comprised Kshs.22.13 million (3 per cent) for development programmes and Kshs.661.96 million (97 per cent) for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.525.00 million was towards employee compensation and Kshs.136.96 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicate that 33 per cent was for domestic travel and nil for foreign travel. The domestic travel exchequer amounted to Kshs.45.70 million and included Kshs11.85 million for the County Executive and Kshs.33.85 million for the County Assembly. Neither the County Executive nor the County Assembly had an exchequer on foreign exchequer during the period under review.

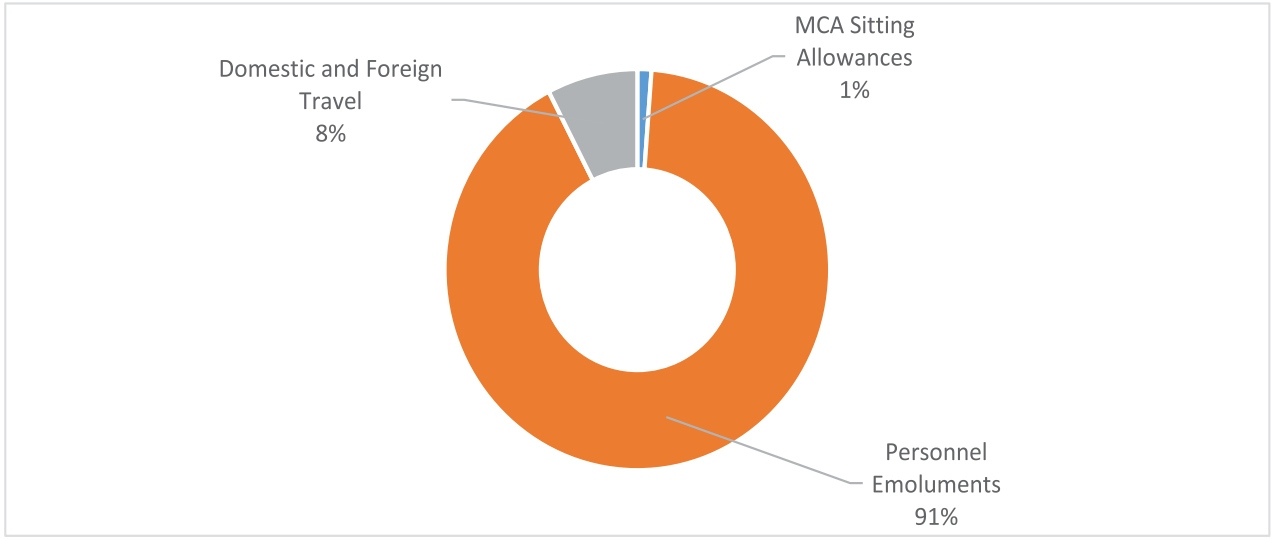
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.320.19 million.

3.45.6 Expenditure Review

The County spent Kshs.661.96 million on development and recurrent programmes in the reporting period. The expenditure represented 97 per cent of the total funds released by the CoB. The expenditure was entirely for recurrent programmes. Recurrent expenditure represented 13.9 per cent of the annual recurrent expenditure budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 260: Vihiga County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *Vihiga County Treasury*

As shown in Figure 260, the three highest expenditure categories were Personnel Emoluments, Domestic Travel, and MCA sitting allowances, which contributed 91 per cent, 8 per cent, and 1 per cent of the total expenditure, respectively, for the reporting period.

3.45.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.1.24 billion. This amount included Kshs.1.24 billion from the County Executive and Kshs.4.04 million from the County Assembly. The trade pay-

ables from the County Executive consisted of Kshs.746.00 million for recurrent expenditures and Kshs.492.35 million for development expenditures.

During the reporting period, the County Executive and the County Assembly did not settle any trade payables. Therefore, the outstanding trade payables as of 30th September 2025 were Kshs.1.24 billion for the County Executive and Kshs.4.04 million for the County Assembly. Table 3.507 provides additional details of trade payables.

Table 3.507: Vihiga County Trade Payables as of 30th September 2025

	County Entity	Development	Recurrent	Total
As at 1 July 2025 (End of FY 2024/25)	County Executive	492,349,560	746,003,956	1,238,353,516
	County Assembly	-	4,035,595	4,035,595
	Total	492,349,560	750,030,551	1,242,389,111
Amount paid in FY 2025/26	County Executive	-	-	-
	County Assembly	-	-	-
	Total	-	-	-
Trade Payables Incurred in FY 2025/26	County Executive	-	-	-
	County Assembly		-	-
	Total	-	-	-
Outstanding trade payables as of 30 September 2025 (Kshs.)	County Executive	492,349,560	746,003,956	1,238,353,516
	County Assembly	-	4,035,595	4,035,595
	Total	492,349,560	750,030,551	1,242,389,111

Source: *Vihiga County Treasury*

The County Executive and the Assembly submitted a trade payables payment plan, committing to pay Kshs.400.36 million and Kshs.4.04 million, respectively, in FY 2025/26. The County has not adhered to this payment plan, as it did not pay any trade payables during the review period.

Table 3.508 and Table 3.509 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.1.24 billion.

Table 3.508: Vihiga County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**346,924,023**	**132,745,281**	**-**	**12,680,256**	**492,349,560**
Recurrent Trade Payables (Goods & Services)	247,414,655	172,697,031	115,061,200	153,988,393	689,161,279
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	56,842,677	-	-	56,842,677
Total Recurrent Trade Payables	**247,414,655**	**229,539,708**	**115,061,200**	**153,988,393**	**746,003,956**
Total Trade Payables	**594,338,678**	**362,284,989**	**115,061,200**	**166,668,649**	**1,238,353,516**
% of Total	**48%**	**29%**	**9%**	**14%**	**100%**

Source: *Vihiga County Treasury*

Table 3.509: Vihiga County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	-	-	-	-	-
Recurrent Trade Payables (Goods & Services)	4,035,595				**4,035,595**
Total Recurrent Trade Payables	4,035,595	-	-	-	**4,035,595**
Total Trade Payables	**4,035,595**	-	-	-	**4,035,595**

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
% of Total	**100%**	-	-	-	**100%**

Source: *Vihiga County Treasury*

During the period under review, the County did not requisition on trade payables and therefore did not adhere to the Trade Payables Action Plan.

3.45.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.495.29 million for compensation of employees, and Kshs.121.42 million for operations and maintenance. Similarly, the County Assembly spent Kshs.29.72 million on compensation of employees, and Kshs.15.55 million on operations and maintenance, as shown in Table 3.510.

Table 3.510: Vihiga County Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**4,066,224,660**	**685,216,240**	**616,708,938**	**45,255,276**	**15**	**7**
Compensation of Employees	2,788,987,901	310,313,668	495,286,353	29,717,976	18	10
Operations and Maintenance	1,277,236,759	374,902,572	121,422,585	15,537,300	10	4
Development Expenditure	**2,122,185,341**	**39,000,000**	-	-	-	-
Total	**6,188,410,001**	**724,216,240**	**616,708,938**	**45,255,276**	**10**	**6**

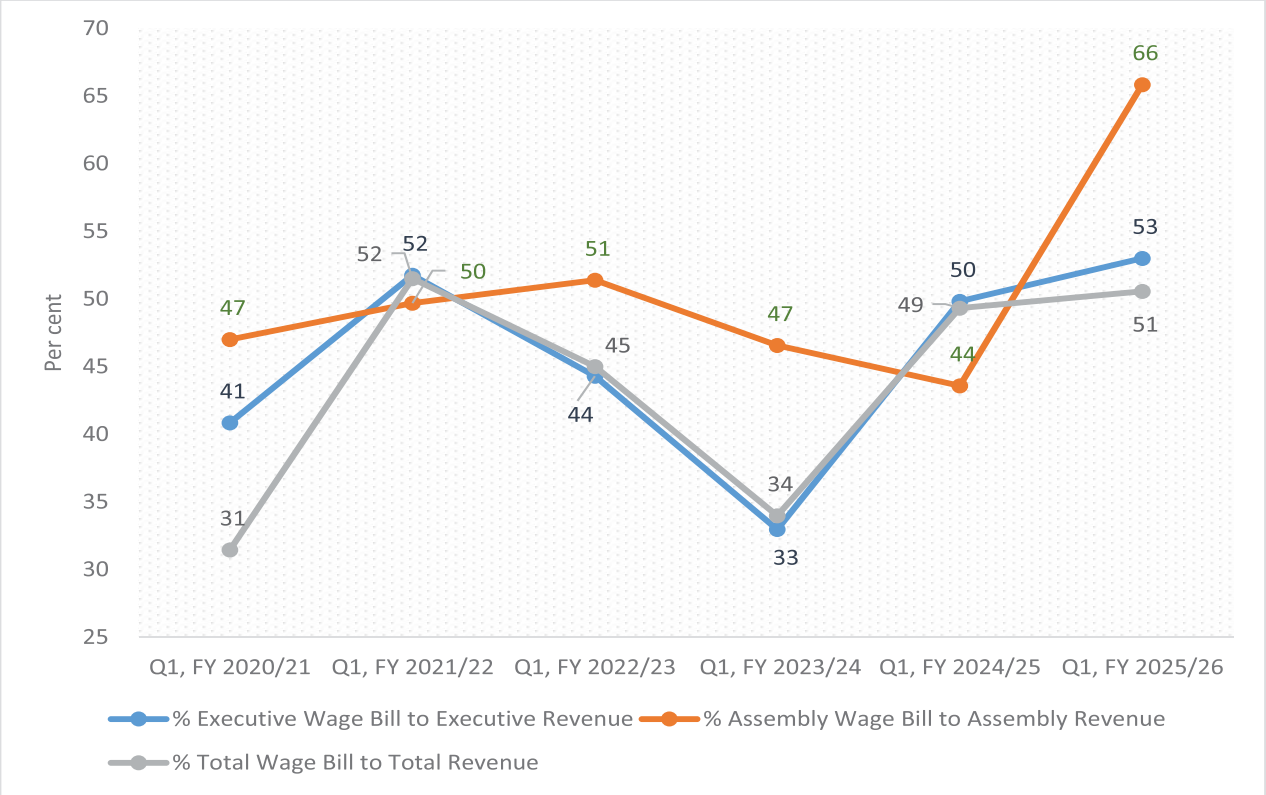
Source: *Vihiga County Treasury*

3.45.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.525.00 million. The compensation-to-revenue ratio was 52 per cent. This expenditure on employee compensation shows an increase of 3 per cent compared to the Kshs.508.99 million reported in a similar period in FY 2024/25. Of this total, Kshs.251.35 million is related to Health Sector employees, which account for 48 per cent of the overall employees' compensation.

Figure 261 shows the compensation trend of employees' expenditures as a percentage of total revenue received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 261: Percentage of Employee Compensation to Total Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: Vihiga County Treasury

As shown in Figure 261, the County Assembly allocated 66 per cent of its revenue to employee compensation during the first quarter of FY 2025/26. This is the highest percentage observed in the Assembly's trend line since FY 2020/21. The County Executive, on the other hand, allocated 53 per cent of its revenue to employee compensation in the same quarter. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, indicating that employee compensation was prioritised over other expenditures in the review period.

Further analysis indicated that PE costs amounting to Kshs.513.71 million were processed through the Human Resource Information System (HRIS). In contrast, Kshs.11.30 million was processed through manual payroll, which accounted for 2 per cent of the total PE cost.

The manual payroll included gratuity remittances to pension schemes for staff on contract, as well as LAPTRUST/LAPFUND Pension Contributions, as shown in Table 3.18.

Table 3.511: Breakdown of Vihiga County Manual Payroll

Sno.	Description of Manual Payroll	Amount (Kshs.)
	LAPTRUST/LAPFUND Pension Contributions	2,637,531
	Gratuity for contract staff	8,658,000
	Total	**11,295,531**

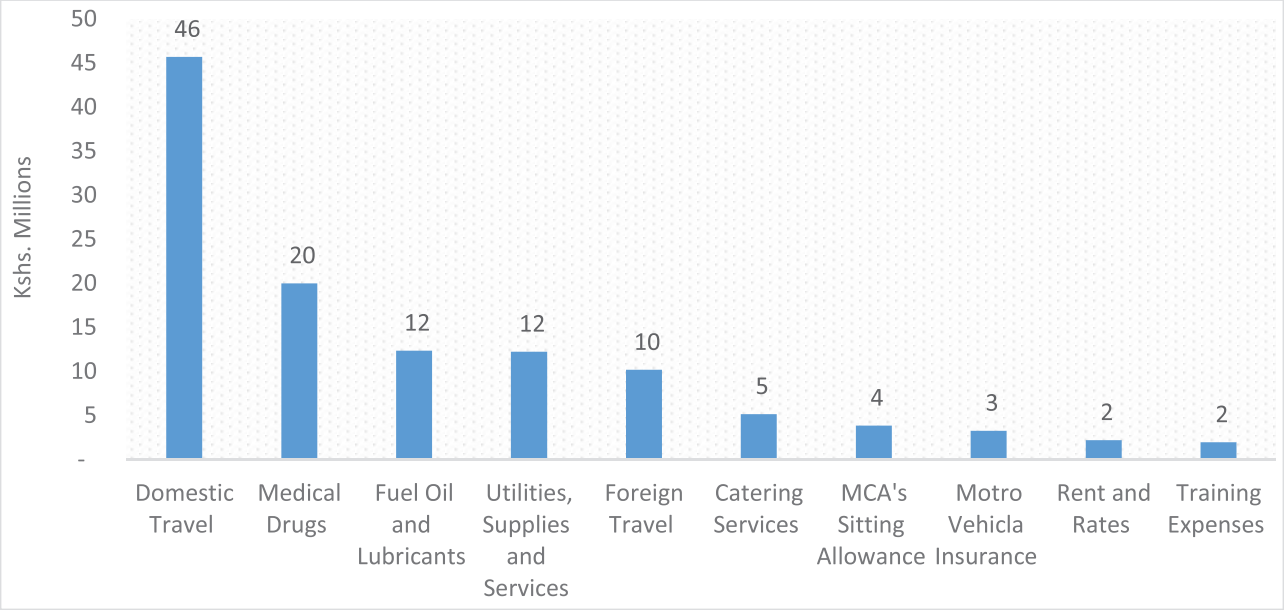
Source: Vihiga County Treasury

The County Assembly spent Kshs.3.85 million on committee sitting allowances for the 38 MCAs against the annual budget allocation of Kshs.30.68 million. The average monthly sitting allowance was Kshs.33,768 per MCA. The County Assembly has 21 House Committees.

3.45.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.136.96 million on operations and maintenance, representing an increase of 11 per cent compared to FY 2024/25, when the County spent Kshs.123.03 million. Figure 262 summarises the Operations and Maintenance expenditure by major categories.

Figure 262: Vihiga County, Operations and Maintenance Expenditure by Major Categories



Source: *Vihiga County Treasury*

3.45.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report for Q1 of FY 2025/26 indicates that the County had no expenditures under "*Other Operating Expenses*."

3.45.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.35.00 million to County-Established funds in FY 2025/26, or 0.5 per cent of the County's overall budget. Further, the County allocated Kshs.5.00 million to the Emergency Fund (0.1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.512 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.512: Performance of Vihiga County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Vihiga County Bursary Fund	2014	25,000,000	-	-	1,016,743,412	No
	Vihiga County Sport Fund	2019	5,000,000	-	-	65,000,000	No
	Vihiga County Alcoholic Fund	2024	5,000,000	-	-	-	No
	Total		**35,000,000**	**-**	**-**	**1,081,743,412**	**-**

Source: *Vihiga County Treasury*

During the reporting period, the CoB did not receive quarterly financial reports from Vihiga County Bursary Fund, Vihiga County Sport Fund and Vihiga County Alcoholic Fund Administrators, as indicated in Table

3.512, contrary to the requirement of Section 168 of the PFM Act, 2012. Therefore, the administration costs of the above could not be established if they were within or above the 3 per cent limit of the Fund budget as set in Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of the Vihiga County Bursary Fund had lapsed. Consequently, the CoB did not approve any requests for withdrawals to support the operations of the lapsed funds.

3.45.13 County Corporations

The County has no established County Corporation reported during the period under review.

3.45.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.45.70 million and comprised Kshs.33.85 million spent by the County Assembly and Kshs.11.85 million by the County Executive. Expenditure on foreign travel amounted to Kshs.10.17 million and comprised Kshs.9.46 million by the County Assembly and Kshs.0.71 million by the County Executive. However, the County Executive and the County Assembly did not provide additional information on the particulars of the foreign travel.

In addition, under the operations and maintenance costs, the County did not have any expenditure on garbage collection or legal fees/dues/arbitration.

3.45.15 Facility Improvement Financing

During the review period, the County reported collections of Kshs.45.95 million as FIF, which was 22 per cent of the annual target of Kshs.208.71 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has not developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.33.00 million, as shown in Table 3.513.

Table 3.513: Vihiga County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Level 4 Hospital	1	147,220,000	30,506,375	21
2.	Level 3 Facility	3	38,125,000	2,466,623	7
3.	Level 2 Facility	70	14,655,000	-	
	Total	**74**	**200,000,000**	**32,972,998**	**17**

Source: *Vihiga County Treasury*

3.45.16 Development Expenditure

In the review period, the County reported spending nil expenditure on development programmes, representing a decrease of 100 per cent compared to FY 2024/25, when the County spent Kshs.93.70 million.

The decline in development expenditure was attributed to the slow rollout of the electronic government procurement system and the slow validation and submission of the County's trade payables.

In addition, the County did not report on stalled development projects as of September 30, 2025.

3.45.17 Budget Performance by Department

Table 3.514 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.514: Vihiga County, Budget Allocation and Absorption Rate by Department

Department	Revised Budget Allocation (Kshs.Million)		Exchequer Received (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Performance (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	198.80	-	25.01		25.01	-	100	-	13	-
Finance and Economic Planning	302.73	52.02	49.76		49.76	-	100	-	16	-
Agriculture, Livestock and Fisheries	124.59	255.91	19.64		19.64	-	100	-	16	-
Health Services	1,807.12	140.03	270.71		270.71	-	100	-	15	-
Education, Science, Technical and Vocational Training	495.97	101.98	71.49		71.49	-	100	-	14	-
Gender, Culture, Youth, Sports and Social Services	86.32	52.71	11.72		11.72	-	100	-	14	-
Commerce, Tourism and Cooperatives	76.89	420.76	25.09		25.19	-	100	-	33	-
County Public Service Board	78.28		11.29		11.29	-	100	-	14	-
Environment, Water, Energy and Natural Resources	149.21	375.49	47.68	22.13	47.68	-	100	-	32	-
Transport, Infrastructure and Communication	125.86	306.79	13.07		13.17	-	100	-	10	-
Physical Planning, Lands and Housing	109.78	51.81	10.19		10.19	-	100	-	9	-
County Assembly	685.22	39.00	45.67		45.67	-	100	-	7	-
Administration and Coordination of County Affairs	478.84	364.69	55.09		55.09	-	100	-	12	-
County Attorney	31.83		5.54		5.54	-	100	-	17	-
Total	**4,751.44**	**2,161.19**	**661.96**	**22.13**	**661.96**	**-**	**100**	**-**	**14**	**-**

Source: *Vihiga County Treasury*

Analysis of expenditure by departments shows that all departments recorded a nil absorption rate of the development budget. The Department of Environment, Water, Energy and Natural Resources had the highest recurrent expenditure-to-budget ratio at 32 per cent, while the Department of County Assembly had the lowest at 7 per cent.

3.45.18 Budget Execution by Programmes and Sub-Programmes

The development sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Land Survey and mapping in the Department of Physical Planning, Lands and Housing at 50 per cent, Administrative Services in the Department of Transport, Infrastructure and Communication at 48 per cent, and Administrative Services in the Department of Health Services at 14 per cent of the budget allocation. Conversely, the recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates, were: Performance Management in the Department of Administration and Coordination of County Affairs at 3,708 per cent, Drugs and other medical supplies in the Department of Health Services at 74 per cent, Livestock Extension in the Department of Agriculture, Livestock and Fisheries at 50 per cent, and Value Chain Development at 50 per cent of the budget allocation.

3.45.19 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 116 accounts in commercial banks, including 74 for Health Facilities, 34 for Vocational Training Centres, 5 for Established Funds, 1 revenue account, and 2 special-purpose accounts (additional allocations).

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of 107 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.45.20 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was received on 31st October, 2025.
ii. The underperformance of own-source revenue at Kshs.79.34 million against an annual target of Kshs.378.38 million, representing 21 per cent of the financial year target.
iii. The County had no development expenditures during the review period, resulting in a nil absorption rate.
iv. Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, limits the lifespan of public funds to 10 years unless extended by the County Assembly. As of 30 September 2025, the Vihiga County Bursary Fund Regulation had lapsed, making it ineligible for further withdrawals.
v. Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the Vihiga County Bursary Fund, Vihiga County Sports Fund and Vihiga County Alcoholic Fund were not submitted to the CoB as of 15 July 2025.
vi. High level of trade payables, which amounted to Kshs.1.24 billion as of 30 September 2025. Further, the County Treasury failed to adhere to the payment plan for trade payables .
vii. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

The County should implement the following recommendations to improve budget execution:

i. *The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*
iv. *The County should ensure timely review and extension of public funds whose lifespan is nearing expiration to prevent operational disruptions. Additionally, any expenditure from lapsed funds should cease immediately, and legal mechanisms should be followed to re-establish or wind up such funds in compliance with the Public Finance Management Act.*
v. *The CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line*

with the PFM Act, 2012.

vi. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

vii. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

3.46. County Government of Wajir

3.46.1 Overview of FY 2025/26 Budget

The Wajir County Approved Budget for FY 2025/26 is Kshs.13.99 billion. It comprises Kshs.5.28 billion (38 per cent) and Kshs.8.71 billion (62 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.476.75 million (4 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.5.14 billion and a recurrent budget of Kshs.8.38 billion. The increase in the budget was primarily attributed to the rise in Equitable Share and Own Source Revenue.

The budget is to be financed from various revenue sources. These include; the equitable share of revenue raised nationally of Kshs.10.51 billion (75 per cent), additional allocations of Kshs.2.51 billion (18 per cent), a cash balance of Kshs.583.23 million (4 per cent) brought forward from FY 2024/25, and Kshs.350.00 million (3 per cent) to be received as own-source revenue. A breakdown of the additional allocations is shown in Table 3.515.

3.46.2 Revenue Performance

During the first Quarter of FY 2025/26, the County generated Kshs.2.41 billion in revenue. This amount represented an increase of 30 per cent compared to the amount received in a similar period in FY 2024/25 of Kshs.1.69 billion. The total revenue consisted of Kshs.1.68 billion from the equitable share of revenue raised nationally, as well as own-source revenue (OSR) collection of Kshs.43.38 million and climate change SPA balance of Kshs.40.43 million. Additionally, the County had a cash balance of Kshs.647.83 million from FY 2024/25. The total OSR collection of Kshs.43.38 million included Facilities Improvement Financing (FIF) of Kshs.21.56 million, and Kshs.21.82 million from other OSR sources. Table 3.515 summarises the total revenue available to the County Government during FY 2025/26.

Table 3.515: Wajir County, Revenue Performance in FY 2025/26

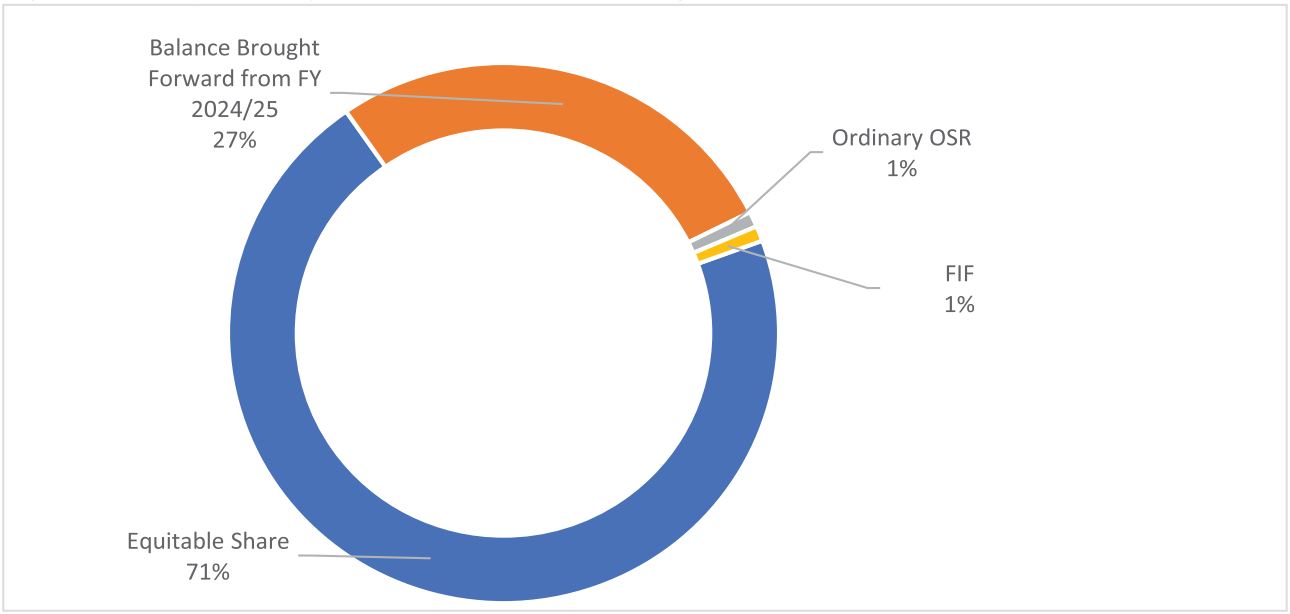
Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
A. Equitable Share	10,507,580,683	1,682,344,303	16
Sub-Total	**10,507,580,683**	**1,682,344,303**	**16**
B. Additional Allocations			
County Aggregation Industrial Park	250,000,000	-	-
Road Maintenance Fuel Levy	563,901,669	-	-
Community Health Promoters (CHPs)	60,810,000	-	-
Basic Salary Arrears for County government health workers	19,869,801	-	-
0.5% of the housing levy fund to Counties	1,987,622	-	-
DANIDA Grant	32,492,036	-	-
AFD - Kenya Informal Settlement Improvement Project II (KISIP II)	68,615,663	-	-
IDA (World Bank) Loan for the Food Systems Resilience Project (FSRP)	246,153,846	-	-
IDA (World Bank) Loan for the Water & Sanitation Development Project (WSDP)	550,000,000	-	-
IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 1 Grant	37,500,000	-	-

Category	Annual Budget Allocation (Kshs)	Actual Revenue (Kshs)	Performance (%)
IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 2 Grant	352,500,000	-	-
IDA (WB) Credit: Kenya Urban Support Project (KUSP) –Urban Development Grant (UIG)	26,000,000	-	-
IDA (WB) Credit: Kenya Urban Support Project (KUSP) –Urban Development Grant (UDG)	72,942,053	-	-
World Bank (Finance Locally-Led Climate Program (FLLoCA) for County Climate Resilience Investment (CCIS) Grant	11,000,000	-	-
World Bank (Finance Locally-Led Climate Program (FLLoCA) (CCRI)Level 2Grant	219,359,280	-	-
Sub-Total	**2,513,131,970**	**0**	**-**
C. Other Sources of Revenue			
Ordinary Own Source Revenue	110,000,000	21,819,880	20
i. Balance B/F from FY2024/25	**583,230,889**	**647,831,581**	**111**
Balance at CRF as at End of FY 2024/25	583,230,889	647,763,532	111
County Executive Refund to CRF	-	59,532	-
County Assembly Refund to CRF	-	8,518	-
ii. Facility Improvement Fund (FIF)	**240,000,000**	**21,559,967**	**9**
SHA/Insurance	220,000,000	15,421,637	7
Defunct NHIF	-	-	-
Other FIF	20,000,000	6,138,330	31
iii. Other Revenues	**40,431,929**	**40,431,929**	**100**
Climate Change SPA balance	40,431,929	40,431,929	-
iv. Appropriation in Aid (AIA)	-	-	-
Sub-Total Other Sources	**973,662,818.00**	**731,643,357.35**	**75**
Grand Total	**13,994,375,471.20**	**2,413,987,660.35**	**17**

Source: *Wajir County Treasury*

The County has the governing legislation for the operation of FIF, specifically the Wajir County Health Facility Improvement Financing Act, 2023, and the Wajir County Health Facility Improvement Financing Regulations, 2024. Figure 263 provides a detailed breakdown of receipts, showing a breakdown of each shilling received.

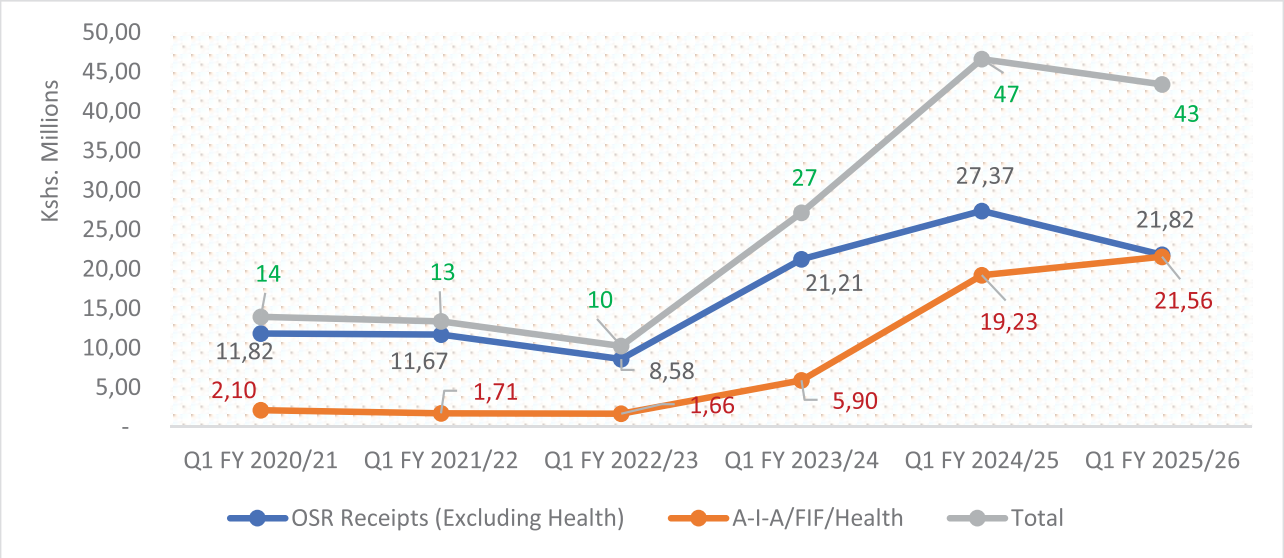
Figure 263: Wajir County Composition of Each Shilling Received in the First Quarter of FY 2025/26



Source: *Wajir County Treasury*

The equitable share of revenue raised nationally, balance brought forward, FIF, and OSR contributed 71 per cent, 27 per cent, 1 per cent, and 1 per cent, respectively, of the total receipts for the reporting period. Figure 264 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 264: Wajir County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

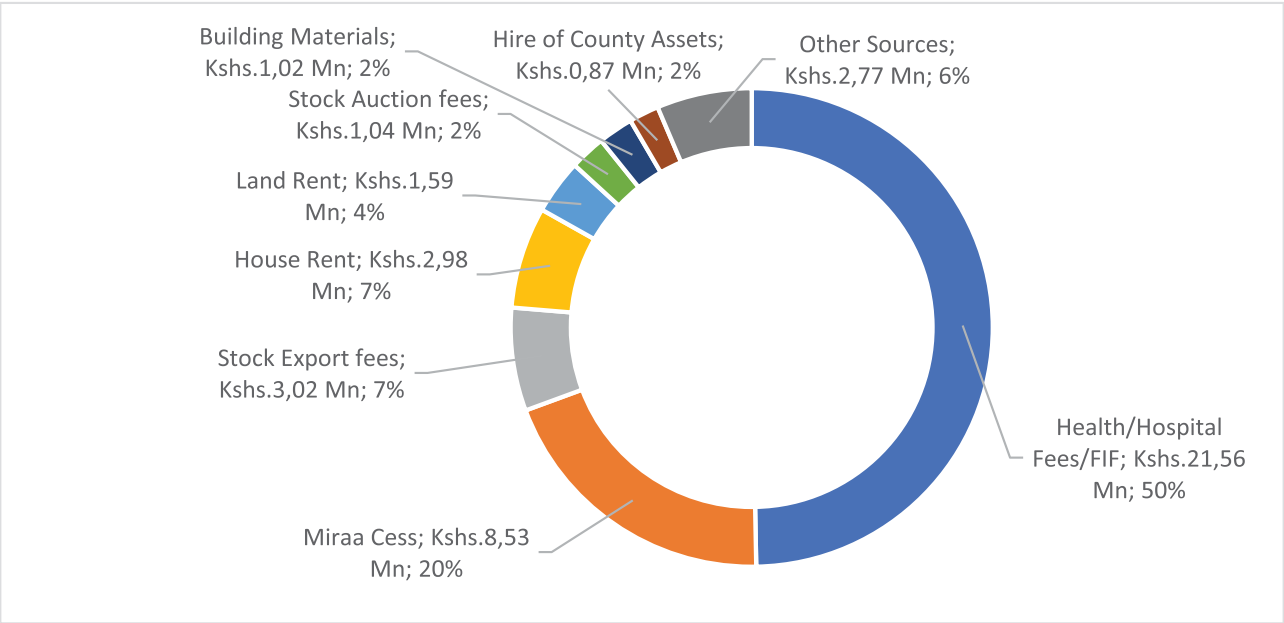


Source: *Wajir County Treasury*

During the First Quarter of FY 2025/26, the County generated Kshs.43.38 million from its revenue sources, including FIF. This amount was a decrease of 7 per cent compared to Kshs.46.60 million realised in a similar period in FY 2024/25, which was 12 per cent of the annual target and 3 per cent of the equitable revenue share disbursed.

The revenue streams which contributed the highest OSR receipts are shown in Figure 265.

Figure 265: Wajir County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: Wajir County Treasury

As shown in Figure 265, the highest revenue stream, at Kshs.21.56 million, was from Health Hospital Fees/FIF, accounting for 50 per cent of the total OSR receipts. The County Government indicated that it has automated its revenue streams.

3.46.3 Borrowing by the County

As of September 30, 2025, the County did not report any short-term borrowings.

3.46.4 Exchequers Approved

The Controller of Budget approved Kshs.44.48 million in withdrawals from the CRF account for recurrent programs, exclusively for employee compensation. As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.2.31 billion.

3.46.5 Expenditure Review

The County Government of Wajir did not report any expenditure during the reporting period.

3.46.6 Settlement of Trade Payables

As of 30th June 2025, the County reported trade payables totalling Kshs.3.71 billion. This amount included Kshs.3.48 billion from the County Executive and Kshs.233.51 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.1.32 billion for recurrent expenditures and Kshs.2.16 billion for development expenditures.

Table 3.516: Wajir County Trade Payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	2,155,041,294	1,324,094,574	3,479,135,868
		County Assembly	-	233,512,405	233,512,404.60
		Total	**2,155,041,294**	**1,557,606,979**	**3,712,648,272**
Outstanding trade payables as of 30 September 2025	e=a-c*b	**County Executive**	2,155,041,293	1,324,094,574	3,479,135,868
		County Assembly	-	233,512,405	233,512,405
		Total	**2,155,041,294**	**1,557,606,979**	**3,712,648,272**

Source: *Wajir County Treasury*

Table 3.517 and Table 3.518 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.3.71 billion.

Table 3.517: Wajir County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	**1,304,374,279**	**-**	**-**	**850,667,015**	**2,155,041,294**
Recurrent Trade Payables (Goods & Services)	602,098,943	-	-		602,098,943
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	-	-	-	721,995,632	721,995,632
Recurrent Trade Payables (Staff Claims)	-	-	-	-	-
Total Recurrent Trade Payables	**602,098,943**	**-**	**-**	**721,995,632**	**1,324,094,574**
Total Trade Payables	**1,906,473,222**	**-**	**-**	**1,572,662,646**	**3,479,135,868**

Source: *Wajir County Treasury*

Table 3.518: Wajir County Assembly Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Trade Payables	-	-	-	-	-
Recurrent Trade Payables (Goods & Services)	19,497,850	25,100,000	-	83,579,675	128,177,525
Recurrent Trade Payables (Salary Arrears and Statutory Deductions)	83,830,355	5,773,833	11,569,289	-	101,173,478

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Recurrent Trade Payables (Staff Claims)	4,161,400	-	-	-	4,161,400
Total Recurrent Trade Payables	**107,489,605**	**30,873,833**	**11,569,289**	**83,579,675**	**233,512,403**
Total Trade Payables	**107,489,605**	**30,873,833**	**11,569,289**	**83,579,675**	**233,512,403**

Source: *Wajir County Assembly Treasury*

3.46.7 Expenditure by Economic Classification

The County Government of Wajir did not report any expenditure during the reporting period.

3.46.8 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. Delay in Approval of FY 2025/26 Budget Estimates and the subsequent Appropriation Act 2025, which led to no expenditure during the reporting period.
ii. The under-performance of own-source revenue at Kshs.43.38 million against an annual target of Kshs.350.00 million, representing 12.4 per cent of the financial year target.
iii. High level of trade payables, which amounted to Kshs.3.72 billion as of 30 September 2025.

The County should implement the following recommendations to improve budget execution:

i. *The County should ensure the timely passage of the budget estimates as per the PFM Act 20212 to ensure the smooth provision of services to its citizens.*
ii. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
iii. *The County Leadership should address the situation of trade payables to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the Trade Payables Action Plan should be enforced.*

3.47. County Government of West Pokot

3.47.1 Overview of FY 2025/26 Budget

The West Pokot County Approved Budget for FY 2025/26 is Kshs.8.63 billion. It comprises Kshs.2.95 billion (34 per cent) and Kshs.5.68 billion (66 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent an increase of Kshs.957.27 million (12 per cent) from the FY 2024/25 budget, which comprised a development budget of Kshs.2.25 billion and a recurrent budget of Kshs.5.42 billion. The increase in the budget was primarily attributed to the rise in Additional Allocation.

The budget is to be financed from various revenue sources. These include the equitable share of revenue raised nationally, amounting to Kshs.7 billion (81 per cent), as well as additional allocations of Kshs.1.11 billion (12 per cent), a cash balance of Kshs.221.07 million (3 per cent) brought forward from FY 2024/25, and Kshs.290.96 million (4 per cent) to be generated as own-source revenue. A breakdown of the additional allocations is shown in Table 3.519.

3.47.2 Revenue Performance

During the first Quarter of FY 2025/26, the County received Kshs.1.40 billion in revenue. This amount represented an increase of 20 (per cent) compared to the amount received in a previous period FY 2024/25 of Kshs.1.17 billion. The total revenue consisted of Kshs.1.12 billion from the equitable share of revenue raised nationally, as well as the own-source revenue (OSR) collection of Kshs.57.93 million. Additionally, the County

had a cash balance of Kshs.221.07 million from FY 2024/25. The total OSR collection of Kshs.57.93 million included Facilities Improvement Financing (FIF) of Kshs35.15 million, and Kshs.22.78 million from other OSR sources. Table 3.519 summarises the total revenue available to the County Government during FY 2025/26.

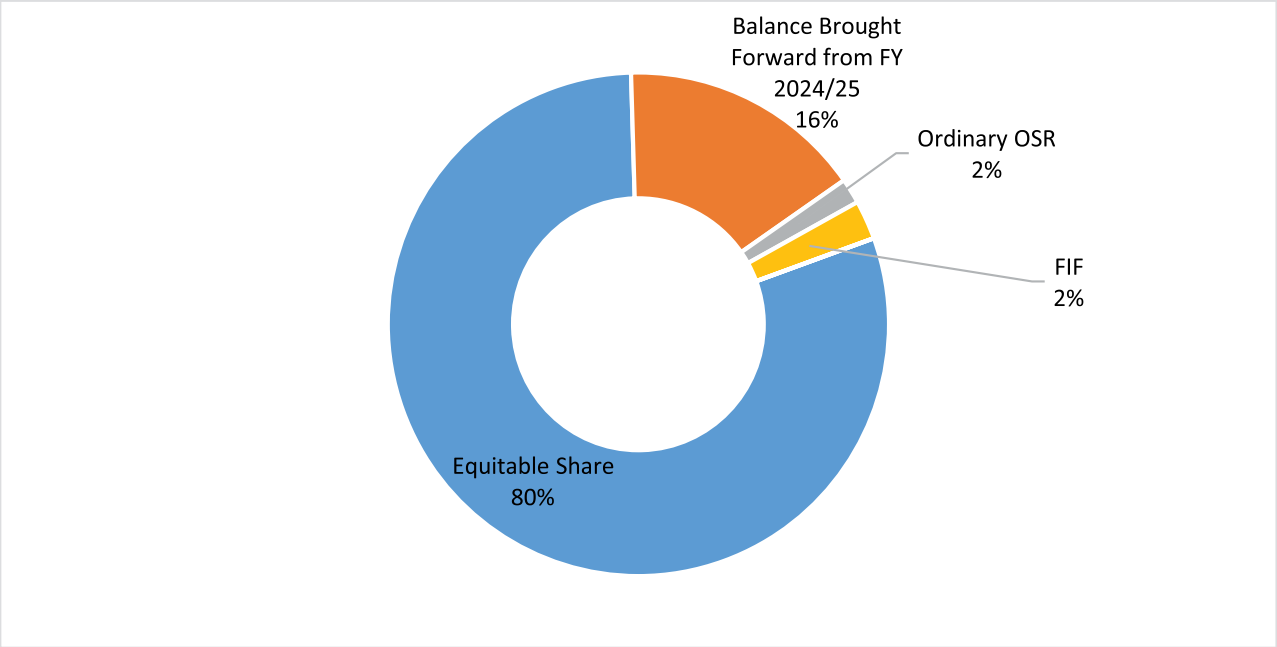
Table 3.519: West Pokot County, Revenue Performance in FY 2025/26

S/No.	Revenue Category	Budget Allocation (Kshs)	Actual revenue (Kshs.)	Actual revenue as Percentage of Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	**7,002,426,008**	**1,122,021,558**	**16**
	Subtotal	**7,002,426,008**	**1,122,021,558**	**16**
B	**Equalisation Fund Disbursement**	**0**	-	**0**
	Subtotal	**0**	-	**0**
C	**Additional Allocations**			
1	Second Kenya Devolution Support Program – Service Delivery and Investment Grant (Level 2 Grant) (KDSP)	352,500,000	-	0
2	Food System Resilience Project (FSRP)	251,153,846	-	0
3	Financing Locally Led Climate Action Program – County Climate Resilient Investment (FLoCCA-CCIR)	200,000,000	-	0
4	Kenya Water, Sanitation, and Hygiene (K-WASH) Programme	130,000,000	-	0
5	Road Maintenance Levey Fund (RMLF)(Rollover)	57,829,022	-	0
6	Second Kenya Urban Support Project (KUSP) – Urban Development Grant (UDG)	51,847,857	-	0
7	Second Kenya Devolution Support Program – Institutional Grant (Level 1 Grant) (KDSP)	37,500,000	-	0
8	Kenya Urban Support Project (KUSP) – Urban Institutional Grant (UIG)	28,000,000	-	0
9	DANIDA: Primary Health Care in a Devolved Context (PHDC)	5,000,000	-	0
	Subtotal	**1,113,830,725**	-	**0**
D	**Ordinary Own Source Revenue (OSR)**			
2	Receipt from administrative fees and charges	238,400	9,012,213	3780
3	Sand, Gravel and Ballast Extractions	24,151,014	7,238,400	30
4	Advertising fee	4,484,800	1,200,500	27
5	Livestock Cess	9,975,712	1,726,480	17
6	Market kiosk Rent	5,482,560	423,500	8
7	Business Permit	11,996,995	636,937	5
8	Land rates /plot rent	13,900,000	553,550	4
9	Other Ordinary OSR	27,921,518	1,990,672	10
	Subtotal	**98,150,999**	**22,782,252**	23
E	**Facility Improvement Fund (FIF)**			
1	SHIF	192,805,000	35,151,954	18
	Subtotal	**290,955,999**	**57,934,206**	20
F	**Balance Brought Forward from FY 2024/25**			
1	Balance at CRF	221,071,087	221,071,087	100
2	County Executive Refunds to CRF	60,691,204	-	0
3	County Assembly Refunds to CRF	254,821	-	0
	Subtotal	**221,071,087**	**221,071,087**	**100**
Grand Total		**8,628,283,819**	**1,401,026,851**	**16**

Source: *West Pokot County Treasury*

Figure 266 provides a detailed breakdown of revenue, showing a breakdown of each shilling received.

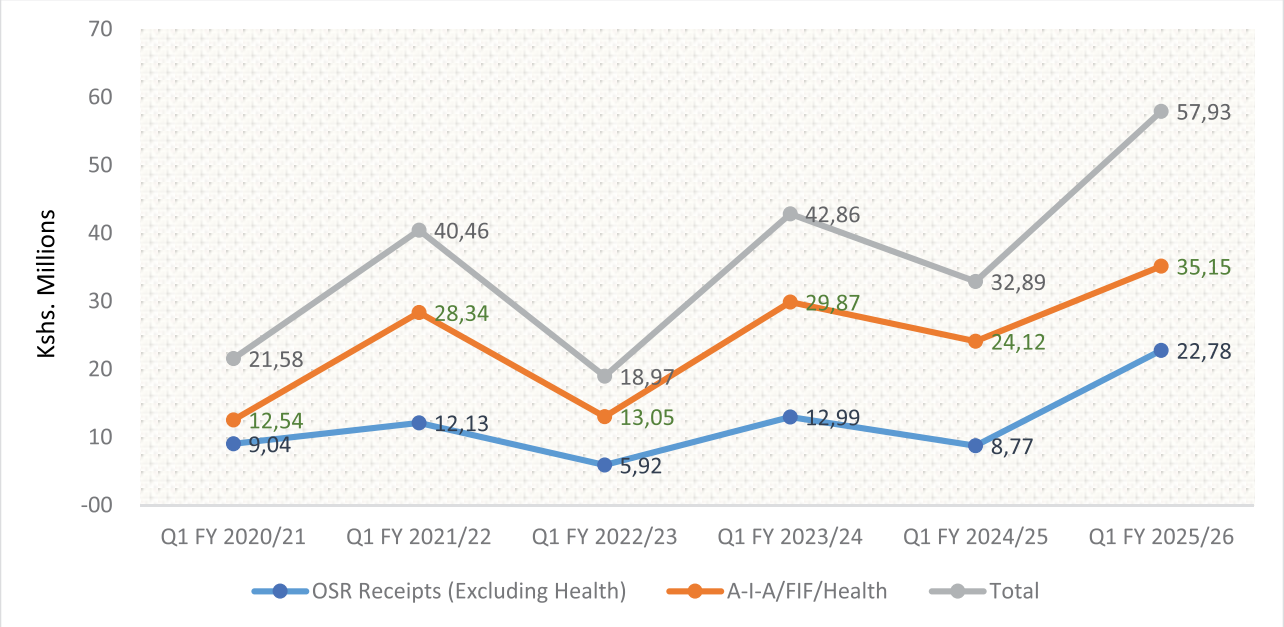
Figure 266: West Pokot County Composition of Each Shilling Earned in the First Quarter of FY 2025/26



Source: *West Pokot County Treasury*

The equitable share of revenue raised nationally, balance brought forward, and OSR contributed 80 per cent, 16 per cent and 4 per cent, respectively, of the total receipts for the reporting period. Figure 267 shows the collection trend in own-source revenue from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26.

Figure 267: West Pokot County Trend in Own-Source Revenue Collection from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26

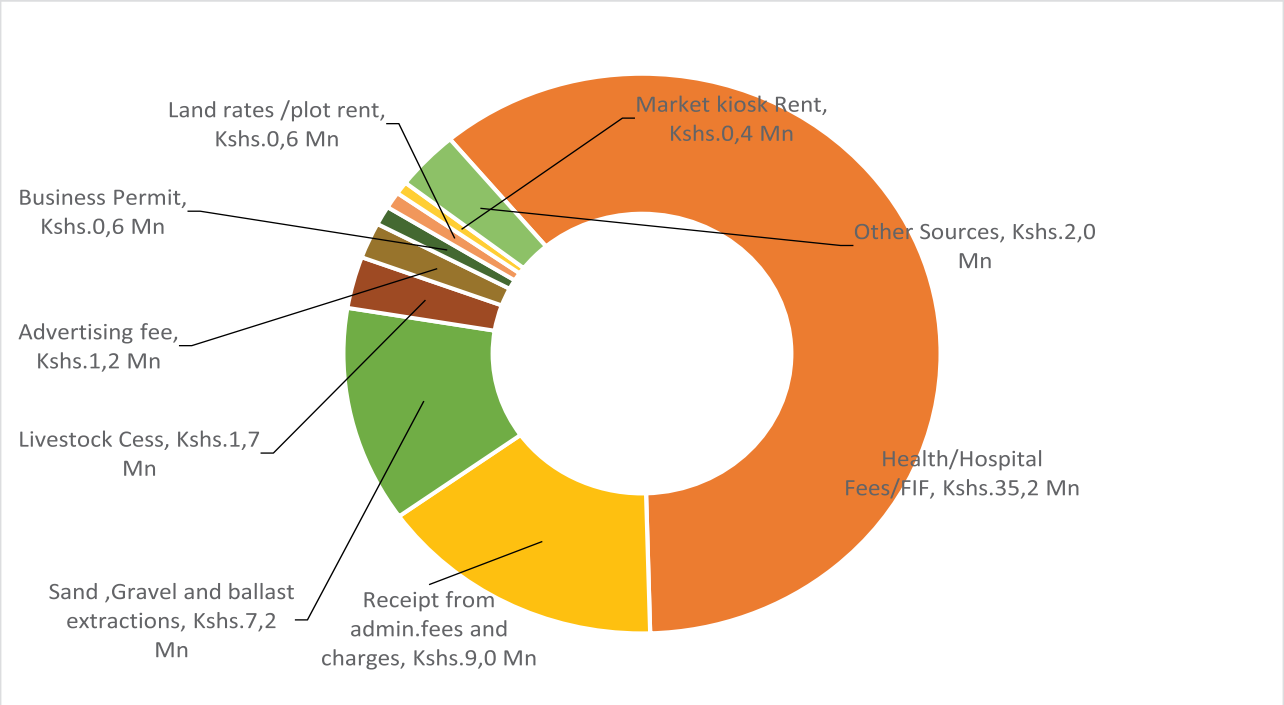


Source: *West Pokot County Treasury*

During the First Quarter of FY 2025/26, the County received Kshs.57.93 million from its revenue sources, including FIF. This amount represented a 76 per cent increase compared to the Kshs.32.89 million realised in a similar period in FY 2024/25, and accounted for 20 per cent of the annual target and 5 per cent of the equitable revenue share disbursed. The increase in OSR was attributed to an increase in the collection of FIF.

The revenue streams which contributed the highest OSR revenue are shown in Figure 268.

Figure 268: West Pokot County Top Own Source Revenue Streams in the First Quarter of FY 2025/26



Source: West Pokot County Treasury

As shown in Figure 268, the highest revenue stream, at Kshs.35 million, was from FIF, accounting for 61 per cent of the total OSR receipts. The County Government indicated that it has automated 14 out of 19 revenue streams.

3.47.3 Revenue Arrears

As of 1st July 2025, the County reported revenue arrears of Kshs.62.50 million; this amount decreased to Kshs.61.95 million as of September 30, 2025. Table 3.520 presents a breakdown of the County's revenue arrears.

Table 3.520: West Pokot County Revenue Arrears as of 30 September 2025

No	Revenue Stream	Revenue Arrears as of 1 July 2025 (Kshs.)	Progress made in FY 2024/25			Revenue Arrears as of 30 September 2025 (Kshs.)
			Waivers (Kshs)	Arrears received in the financial year (Kshs)	Arrears earned in FY 2025/26 (Kshs)	
		a	b	c	d	f=a-b-c+d
A	Ordinary Own Sources of Revenue	62,499,928	-	553,550	-	61,946,378
Total		62,499,928	-	553,550	-	61,946,378

Source: *West Pokot County Treasury*

As of 30 September 2025, the revenue arrears totalled to Kshs.61.95 million, comprising the principal amount of Kshs.61.95 million (100 per cent) with no interest and penalties. The measures instituted by the County to collect the outstanding arrears in FY 2025/26 include the introduction of interest and penalties.

3.47.4 Borrowing by the County

The County Government did not report any borrowings during the period under review.

3.47.5 Exchequers Approved

The Controller of Budget approved withdrawals of Kshs.987.04 million from the CRF account during the reporting period, which were solely for recurrent programmes. Analysis of the recurrent exchequers released indicates that Kshs.856.53 million was towards employee compensation and Kshs.130.51 million for operations and maintenance expenditure.

The operations and maintenance exchequer analysis indicates that 32 per cent was for domestic travel The domestic travel exchequer amounted to Kshs.42.04 million and included Kshs.2.92 million for the County Executive and Kshs.39.13 million for the County Assembly.

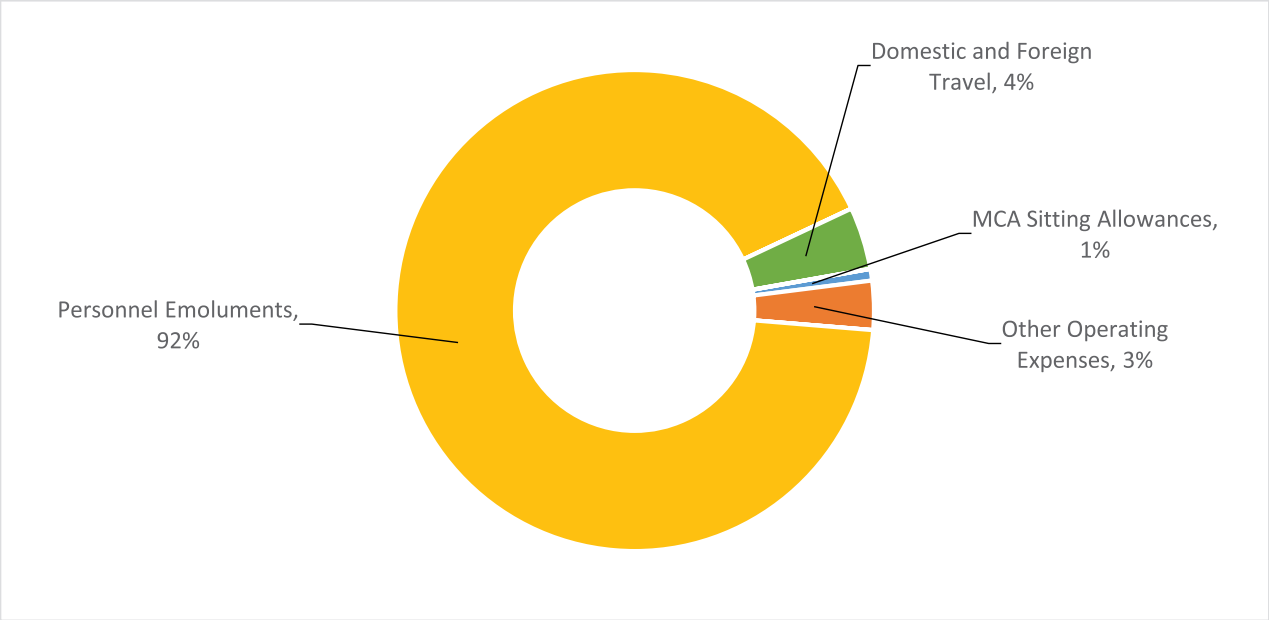
As of September 30, 2025, the County Government's cash balance in the CRF account was Kshs.395.16 million.

3.47.6 Expenditure Review

The County spent Kshs.987.04 million on development and recurrent programmes in the reporting period. The expenditure represented 100 per cent of the total funds released by the CoB. The expenditure was entirely on recurrent programmes. Recurrent expenditure accounted for 17 per cent of the recurrent budget.

The following chart provides a detailed breakdown of expenditure, showing the relative composition of each shilling spent.

Figure 269: West Pokot County Composition of Each Shilling Paid in the First Quarter of FY 2025/26



Source: *West Pokot County Treasury*

As shown in Figure 269, the three highest expenditure categories were Personnel Emoluments, Domestic and Foreign Travel, and Other Operating Expenses, contributing 92 per cent, 4 per cent and 3 per cent respectively of total expenditure for the reporting period.

3.47.7 Settlement of Trade Payables

As of 1st July 2025, the County reported trade payables totalling Kshs.311.80 million. This amount included Kshs.290.30 million from the County Executive and Kshs.21.50 million from the County Assembly. The trade payables from the County Executive consisted of Kshs.215.33 million for recurrent expenditures and Kshs.74.97 million for development expenditures.

During the reporting period, the County Executive did not settle any trade payables. On the other hand, the County Assembly settled trade payables worth Kshs.3.03 million, solely for recurrent expenses. The outstanding trade payables as of 30th September 2025 were Kshs.290.30 million for the County Executive and Kshs.18.47 million for the County Assembly. Table 3.521 provides additional details of pending bills.

Table 3.521: West Pokot County trade payables as of 30th September 2025

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
As at 1 July 2025 (End of FY 2024/25)	a	County Executive	74,970,887	215,325,071	290,295,958
		County Assembly	-	21,502,274	21,502,274
		Total	74,970,887	236,827,345	311,798,232

		County Entity	Development (Kshs.)	Recurrent (Kshs.)	Total (Kshs.)
Pending bills scheduled to be settled in Q1 of FY 2025/26 according to the action plan	b	County Executive	-	-	-
		County Assembly	-	3,029,987	3,029,987
		Total	-	3,029,987	3,029,987
Amount paid in FY 2025/26	c	County Executive	-	-	-
		County Assembly	-	3,029,987	3,029,987
		Total	-	3,029,987	3,029,987
Outstanding pending bills as of 30 September 2025	e=a-c*b	**County Executive**	**74,970,887**	**215,325,071**	**290,295,958**
		County Assembly	**-**	**18,472,287**	**18,472,287**
		Total	**74,970,887**	**233,797,358**	**308,768,245**

Source: *West Pokot County Treasury*

The County Executive and the Assembly submitted a trade payable payment plan, committing to pay Kshs.3.03 million in the first quarter of FY 2025/26. The County adhered to this payment plan, as it cleared Kshs.3.03 million for the Assembly.

Table 3.522 and Table 3.523 present the ageing of the total outstanding bills as of 30 September 2025 for the County Executive and Assembly, which were Kshs.308.77 million.

Table 3.522: West Pokot County Executive Trade Payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills	**59,749,687**	**-**	**-**	**15,221,200**	**74,970,887**
Recurrent Pending Bills (Goods & Services)	18,357,853	-	2,230,548	102,387,881	**122,976,282**
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	297,600	-	-	92,051,189	**92,348,789**
Total Recurrent Pending Bills	18,655,453	0	2,230,548	194,439,070	**215,325,071**
Total Pending Bills	**78,405,140**	**0**	**2,230,548**	209,660,270	**290,295,958**
% of Total	**27%**	**%**	**0.8%**	**72.2%**	**100%**

Source: *West Pokot County Treasury*

Table 3.522 shows that 72 per cent of the Executive trade payables are over 3 years old, with the majority being recurrent.

Table 3.523: West Pokot County Assembly trade payables Ageing Analysis as of 30 September 2025

Category	Ageing analysis (Amount in Kshs.)				Total
	Under one year	1-2 years	2-3 years	Over 3 years	
Development Pending Bills	**0**	**0**	**0**	**0**	**0**
Recurrent Pending Bills (Goods & Services)	3,029,987	-	-	-	**3,029,987**
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	-	15,442,300	-	-	**15,442,300**
Recurrent Pending Bills (Staff Claims)	-	-	-	-	**0**
Total Recurrent Pending Bills	3,029,987	15,442,300	0	0	**18,472,287**
Total Pending Bills	**3,029,987**	**15,442,300**	**0**	**0**	**18,472,287**
% of Total	**16%**	**84%**	**%**	**%**	**100%**

Source: *West Pokot County Treasury*

Table 3.523 shows that all the payables for the Assembly are recurring and less than 2 years old.

3.47.8 Expenditure by Economic Classification

During the reporting period, the County Executive incurred Kshs.760.61 million for compensation of employees andKshs.86.44 million for operations and maintenance. Similarly, the County Assembly spent Kshs.95.93 million on compensation of employees and Kshs.44.08 million on operations and maintenance, as shown in Table 3.524.

Table 3.524: West Pokot County Summary of Budget and Expenditure by Economic Classification

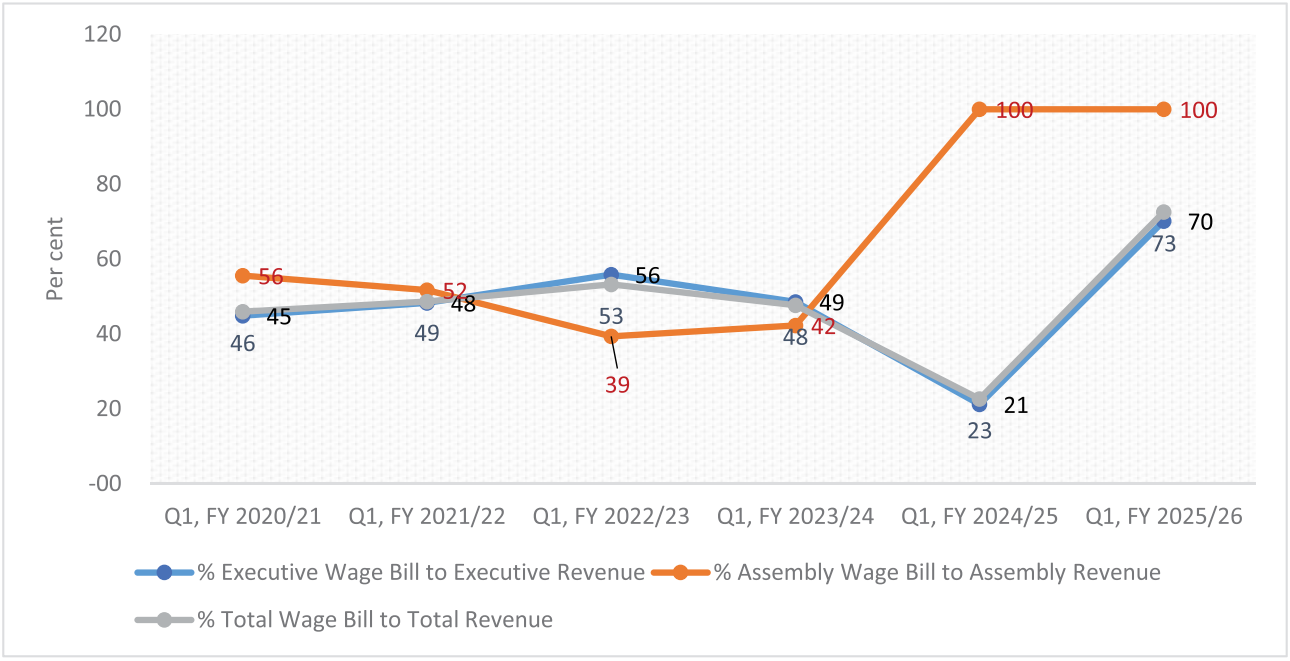
Expenditure Classification	Revised Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	**4,982,246,009**	**699,024,354**	**847,041,453**	**140,002,928**	**17**	**20**
Compensation of Employees	3,129,053,689	399,594,292	760,605,964	95,926,041	24	24
Operations and Maintenance	1,853,192,320	299,430,062	86,435,489	44,076,887	5	15
Development Expenditure	**2,887,013,455**	**60,000,000**	-	-	**0**	**0**
Total	**7,869,259,464**	**759,024,354**	**847,041,453**	**140,002,928**	**11**	**18**

***Source**: West Pokot Co$unty Treasury*

3.47.9 Expenditure on Compensation of Employees

During the period under review, the expenditure on employee compensation totalled Kshs.856.53 million. The compensation-to-revenue ratio was 61 per cent. This expenditure on employee compensation shows. an increase compared to the Kshs.549.73 million reported in a similar period in FY 2024/25. This is attributed to the significant number of casual employees who were absorbed on contract terms, leading to an increase in IPPD. Of this total, Kshs.429.86 million for the Health Sector employees, accounting for 50 per cent of the overall employees' compensation.

Figure 270: Percentage of Employee Compensation to Revenue Received from the First Quarter of FY 2020/21 to the First Quarter of FY 2025/26



Source: West Pokot County Treasury

Figure 270 shows that the Assembly apportioned 100 per cent of its first quarter of FY 2025/26 inflows towards compensation of employees while the Executive apportioned 73 per cent. Both entities exceeded the 35 per cent ceiling set by Regulation 25(1)(b) of the PFM (County Governments) Regulations 2015, highlighting that employee compensation was prioritised over other expenditures in the review period.

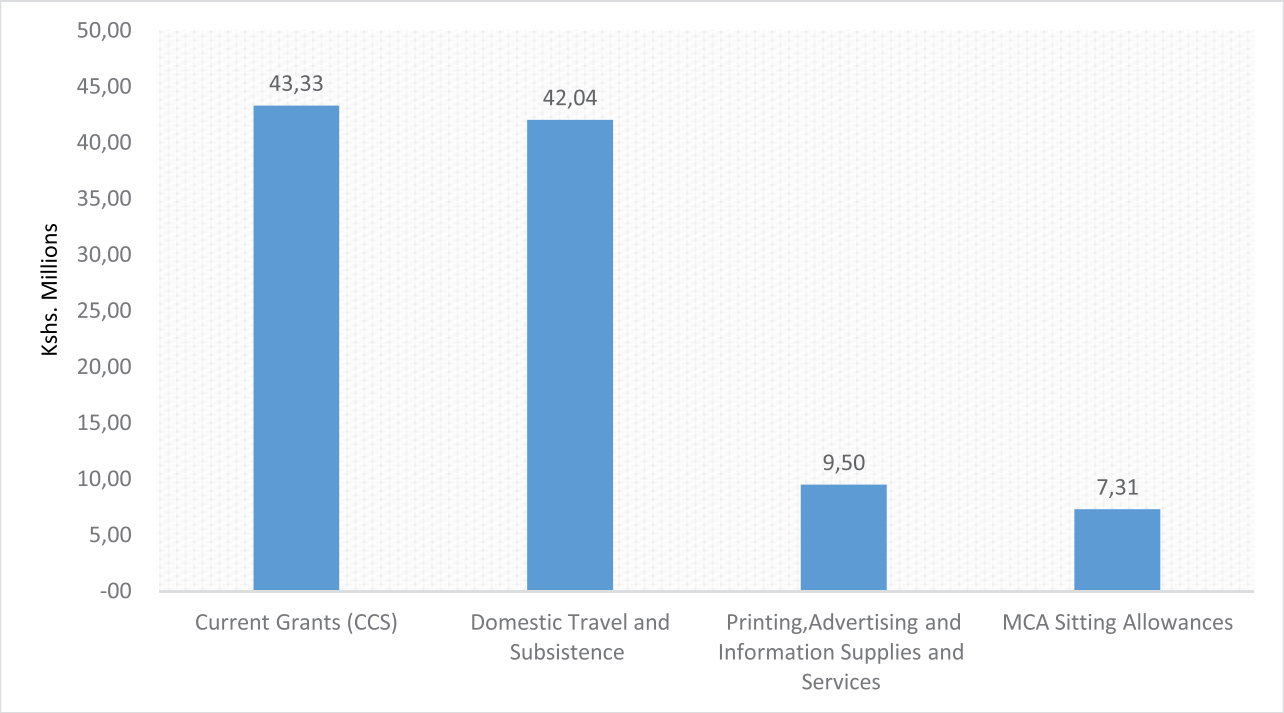
Further analysis indicated that PE costs amounting to Kshs.856.53 million were processed through the Human Resource Information System (HRIS) The County Assembly spent Kshs.7.31 million on committee sitting allowances for the 33 MCAs against the annual budget allocation of Kshs.30.50 million. The average monthly sitting allowance was Kshs.73,851 per MCA. The County Assembly has 26 House Committees.

3.47.10 Expenditure on Operations and Maintenance

During the reporting period, the County spent Kshs.130.51 million on operations and maintenance, representing an increase of 476 per cent compared to FY 2024/25, when the County spent Kshs.22.66 million. Figure 271

summarises the Operations and Maintenance expenditure by major categories.

Figure 271: West Pokot County, Operations and Maintenance Expenditure by Major Categories



Source: *West Pokot County Treasury*

3.47.11 Unbundling "Other Operating Expenses" Under Operations and Maintenance Expenditures

The budget performance report submitted to the Controller of Budget for the first quarter of FY 2025/26 shows that the County spent Kshs.30.74 million under "other Operating expenses" translates to 24 per cent of the cumulative operations and maintenance expenditure of Kshs.130.51 million. The disaggregated item under the "*Other Operating Expenses*" category is shown in Table 3.525.

Table 3.525: Breakdown of "Other Operating Expenses" under O&M Expenditures

Code	Item	Budget (Kshs)	Expenditure (Kshs.)
2211309	Other Operating Expenses	40,000,000	30,743,967
	Total	**40,000,000**	**30,743,967**

Source: *West Pokot County Treasury*

A review of the other expense items listed in the table revealed that they were recorded with generic descriptions, making it difficult to determine their nature and map them to the correct budget codes.

3.47.12 County-Established Funds

Section 116 of the PFM Act 2012 allows County Governments to establish other public funds, subject to approval from the County Executive Committee and the County Assembly. The County allocated Kshs.28.27 million to County-established funds in FY 2025/26, or less than 1 per cent of the County's overall budget. Furthermore, the County allocated Kshs.10 million to the Emergency Fund (less than 1 per cent of the total budget) in line with Section 110 of the PFM Act, 2012. Table 3.526 summarises each established Fund's budget allocation and performance during the reporting period.

Table 3.526: Performance of West Pokot County Established Funds in the First Quarter of FY 2025/26

S/No.	Name of the Fund	Year Established	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues in First Quarter of FY 2025/26 (Kshs.)	Actual Expenditure in the First Quarter of FY 2025/26 (Kshs.)	Cumulative disbursements to the Fund (Kshs)	Submission of Financial Statements (Yes/No.)
		County Executive Established Funds					
	Car Loan and Mortgage	2016	-	-	-	225,000,000	Yes
	Bursary and Infrastructure Fund	2014	-	-	503,638,430	7,820,150,000	Yes
	Cooperative Development Fund	2018	18,272,000	-	6,052,645	65,000,000	Yes
	West Pokot County Emergency Fund	2025	10,000,000	-	-	-	No
		County Assembly Established Funds					
	Members Car Loans and Mortgage	2017	-	-	-	137,700,000	No
	Staff Car Loans and Mortgage	2018	-	-	-	191,750,000	No
	Total		**28,272,000**	**-**	**509,691,075**	**8,439,600,000**	

Source: *West Pokot County Treasury*

During the reporting period, the CoB did not earn quarterly financial reports from 3 Fund Administrators, as indicated in Table 3.526, contrary to the requirement of Section 168 of the PFM Act, 2012.

Regulation 197(1)(i) of the Public Finance Management (County Governments) Regulations, 2015, allows County Governments to establish public funds with a lifespan capped at 10 years unless extended by the County Assembly. In FY 2025/26, the CoB established that the lifespan of **none of the Funds** had lapsed.

3.47.13 County Corporations

The County has two County Corporations, which were allocated Kshs.112.80 million in FY 2025/26. There was no expenditure for the review period, as shown in Table 3.527.

Table 3.527: Performance of West Pokot County Corporations in the First Quarter of FY 2025/26

S/No.	Name of the Corporation	Approved Budget Allocation in FY 2025/26 (Kshs.)	Exchequer Issues (Kshs.)	Actual Transfers in FY 2025/26 (Kshs.)	Cumulative Transfers to the Corporation since its inception (Kshs.)
	Chepareria Municipality	12,150,000	-	-	7,150,000
	Kapenguria Municipality	100,647,857	-	-	266,609,300
	Total	**112,797,857**	**-**	**-**	**273,759,300**

Source: *West Pokot County Treasury*

3.47.14 Expenditure on Domestic and Foreign Travel

Expenditure on domestic travel amounted to Kshs.42.04 million and comprised Kshs.39.13 million spent by the County Assembly and Kshs.2.92 million by the County Executive. Facility Improvement Financing

During the review period, the County reported collections of Kshs.35.15 million as FIF, which was 18 per cent of the annual target of Kshs.192.81 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has (however, not) developed regulations to operationalise the FIF Act of 2023.

The expenditure by the health facilities amounted to Kshs.17.23 million, as shown in Table 3.528.

Table 3.528: West Pokot County Health Facilities Expenditure Performance in FY 2025/26

No.	Health Facility	Number of Facilities	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Absorption rate (%)
1.	Kapenguria County Referral Hospital	1	132,800,000	12,789,282	39
2.	Kacheliba Sub-County Hospital	1	24,005,000	1,514,653	26
3.	Chepareria Sub-County Hospital	1	20,000,000	1,127,280	23
4.	Sigor Sub County Hospital	1	16,000,000	1,799,000	45

	Total	**4**	**192,805,000**	**17,230,215**	**9**

Source: *West Pokot County Treasury*

3.47.15 Development Expenditure

During the review period, the County reported spending nil on development programmes, which is consistent with FY 2024/25, when the County also spent nil.

3.47.16 Budget Performance by Department

Table 3.529 summarises the approved budget allocation, expenditure and absorption rate by departments in the period under review.

Table 3.529: West Pokot County, Budget Allocation and Absorption Rate by Department

Department	Revised Gross Budget Allocation (Kshs. Million)		Exchequer Received (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	357.78	89.89	17.98	-	17.98	-	100	-	5	-
Finance and Economic Planning	303.53	2.80	54.06	-	54.06	-	100	-	18	-
Public Works, Transport and Infrastructure	102.52	253.73	27.72	-	27.72	-	100	-	27	-
Health and Sanitation	2,221.62	638.25	429.86	-	429.86	-	100	-	19	-
Education and Technical Training	587.40	227.84	106.07	-	106.07	-	100	-	18	-
Agriculture and Irrigation	86.25	407.76	12.42	-	12.42	-	100	-	14	-
Livestock, Fisheries and Veterinary Services	92.84	53.25	12.87	-	12.87	-	100	-	14	-
Trade, Industrialisation, Energy and Cooperative Development	67.16	70.20	14.32	-	14.32	-	100	-	21	-
Lands, Housing, Physical Planning and Urban Development	191.76	110.54	36.35	-	36.35	-	100	-	19	-
Water, Environment, Natural Resources and Climate Change	83.92	513.69	18.49	-	18.49	-	100	-	22	-
Youth Affairs, Sports, Tourism, Culture and Social Services.	74.90	163.57	3.47	-	3.47	-	100	-	5	-
County Public Service Management, ICT and Decentralised Units	698.02	355.50	111.79	-	111.79	-	100	-	16	-
Special Programmes	114.54	-	1.66	-	1.66	-	100	-	1	-
West Pokot County Assembly	699.02	60.00	140.00	-	140.00	-	100	-	20	-
Total	**5,681.27**	**2,947.01**	**987.04**	**-**	**987.04**	**-**	**100**	**-**	**17**	**-**

Source: *West Pokot County Treasury*

Analysis of expenditure by departments shows that the Department of Public Works, Transport and Infrastructure had the highest recurrent expenditure-to-budget ratio at 27 per cent, while the Department of Special Programmes had the lowest at 1 per cent.

3.47.17 Budget Execution by Programmes and Sub-Programmes

The recurrent sub-programmes with the highest levels of budget implementation, based on absorption rates,

were General Administration and Planning and Support Services at the County Assembly, and the Department of Roads, Public Works, Transport, and Infrastructure, at 36 per cent and 31 per cent, respectively, of the budget allocation. No development expenditures were reported by any programmes during the review period.

3.47.18 Accounts Operated in Commercial Banks

Regulation 82(1)(b) of the PFM (County Governments) Regulations, 2015, requires that County Government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption applies to imprest bank accounts for petty cash and to revenue collection bank accounts.

Further, Regulation 82(4) of the Public Finance Management (PFM) Act requires accounting officers to obtain written authorisation from the County Treasury before opening a commercial bank account. Additionally, Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015, requires the County Treasury to submit a copy of the letter authorising an accounting officer to open a commercial bank account to the Controller of Budget.

The County Government operated 24 accounts with commercial banks, including 7 for Health Facilities, 7 for Vocational Training Centres, 5 for Established Funds, 2 revenue accounts, and 3 imprest accounts.

The County Treasury did not submit copies of the authorisation letters to the Controller of Budget for the opening of 24 commercial bank accounts, as required by Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

3.47.19 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the CoB identified the following challenges, which hampered effective budget implementation;

i. The County Treasury's late submission of financial reports to the Controller of Budget affected the timely preparation of the budget implementation report, which was earned on 29th October, 2025.

ii. The underperformance of own-source revenue at Kshs.57.93 million against an annual target of Kshs.290.96 million, representing 20 per cent of the financial year target, which is below the expected 25 per cent.

iii. Low development performance in the review period, Fund Administrators failed to submit quarterly financial and non-financial reports to the CoB within the timelines provided by law, which is against the requirement of Section 168 of the PFM Act, 2012. The reports for the West Pokot County Emergency Fund, Members Car Loans and Mortgage Fund and Staff Car Loans and Mortgage Fund were not submitted to the CoB as of 15 July 2025.

iv. Non-submission of copies of authorisation letters for opening commercial bank accounts as per Regulation 82(5) of the Public Finance Management (County Governments) Regulations, 2015.

v. The County reported revenue arrears of Kshs.61.95 million on ordinary OSR as of 30th September 2025. These revenue arrears limited funding for County activities.

The County should implement the following recommendations to improve budget execution:

i. The County Treasury should ensure the timely preparation and submission of financial reports to the Office of the Controller of Budget per the timelines prescribed in Section 166 of the PFM Act, 2012.

ii. The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.

iii. *The County should implement strategies to increase development expenditures in FY 2025/26.*

iv. *The County Treasury should ensure it submits copies of authorisation letters to OCoB for opening commercial bank accounts to enhance accountability and oversight.*

v. *The County needs to develop strategies to collect these outstanding arrears to improve budget implementation.*

4. KEY OBSERVATIONS AND RECOMMENDATIONS

4.1. Introduction

This section highlights the issues that affected budget implementation and reporting in the first quarter of FY 2025/26 and provides recommendations to address the challenges. The cross-cutting challenges included the following:

4.2. Delay in Submission of County Appropriation Acts, Budget Books, and Governors' Warrants for FY 2025/26 to the Controller of Budget

According to Article 207 of the Constitution, funds may be withdrawn from a County Government's revenue fund as authorised by an Act of Parliament, County legislation, or an appropriation specified in County law. Additionally, Section 131 of the Public Finance Management (PFM) Act 2012 mandates that the County Executive Committee Member for Finance prepare and publish the approved budget estimates. Furthermore, Regulation 20 of the PFM (County Governments) Regulation 2015 requires that the Governor's warrant be transmitted to the Controller of Budget (CoB) by the County Executive Member to authorise withdrawals in accordance with Article 228 of the Constitution. This process is expected to be completed before the start of a new financial year on 1st July.

Observation: There were delays in the submission of Appropriation Acts, Governors' Warrants, and approved budget documents by the County Governments. The last submission occurred on 4th September 2025, as detailed in Annexe I. These late submissions hindered the implementation of the FY 2025/26 budgets and delayed exchequer requisitions.

Recommendation: *The CoB recommends that County Governments ensure the timely submission of their Appropriation Acts, Governors' Warrants, and Budget Books by the beginning of the financial year on 1st July. This will facilitate the prompt commencement of budget implementation, including the submission of exchequer requisitions.*

4.3. Delay by the Parliament to enact the County Governments Additional Allocations Bill 2025

The County Governments Additional Allocation Bill (CGAAB) facilitates the transfer of additional funds to County Governments from the National Government's revenue share and from development partners' loans and grants.

Observation: The CGAAB of 2025 proposes additional allocations to County Governments for FY 2025/26, amounting to Kshs.93.53 billion to be disbursed through the relevant National Government ministries, departments, and agencies. However, delays in enacting this bill hinder the timely release of additional funds, which, in turn, affect the implementation of related programs within the budget.

Recommendations: *The CoB recommends the prompt enactment of the CGAAB to ensure the timely implementation of the associated programs during the remaining period of FY 2025/26.*

4.4. Delay by the National Treasury to disburse the Equitable Share of Revenue raised nationally.

For effective budget implementation, predictability and timely release of funds are essential. Article 206 establishes the Consolidated Fund, while Article 207 establishes the County Revenue Funds. The County Allocation of Revenue Act of 2025 outlines the equitable allocation of Kshs.415 billion among the County Governments from revenue collected by the National Government for the financial year 2025/26. This amount is to be disbursed monthly from the Consolidated Fund to the respective County Revenue Funds, in accordance with an approved disbursement schedule.

Observation: As of 30th September, 2024, the National Treasury had disbursed Kshs.66.13 billion as the equitable share for the FY 2025/26 for July and August. However, by the end of the first quarter, a one-month lag had occurred, as the National Treasury had not yet disbursed the September allocation. This delay negatively

impacted the County Governments' cash flow and hindered budget implementation.

Recommendation: *The National Treasury should ensure the timely disbursement of the equitable share of revenue raised nationally, in accordance with the disbursement schedule. Disbursements from the Consolidated Fund to the County Funds should be made by the 15th day of each month.*

4.5. Underperformance in Own-Source Revenue Collection

Article 209(3) of the Constitution allows County Governments to impose property rates, entertainment taxes, and any other taxes authorised by an Act of Parliament.

Observation: In the first quarter of FY 2025/26, County Governments collectively generated Kshs13.94 billion in own-source revenue, including the Facility Improvement Financing. This amount represented 15 per cent of their annual target of Kshs.93.89 billion. Underperformance in revenue generation has led to budget shortfalls, hindering the full execution of planned activities. Six County Governments collected 10 per cent or less of their OSR targets, while thirty-one Counties collected between 11 and 19 per cent, and ten Counties achieved 20 per cent or more.

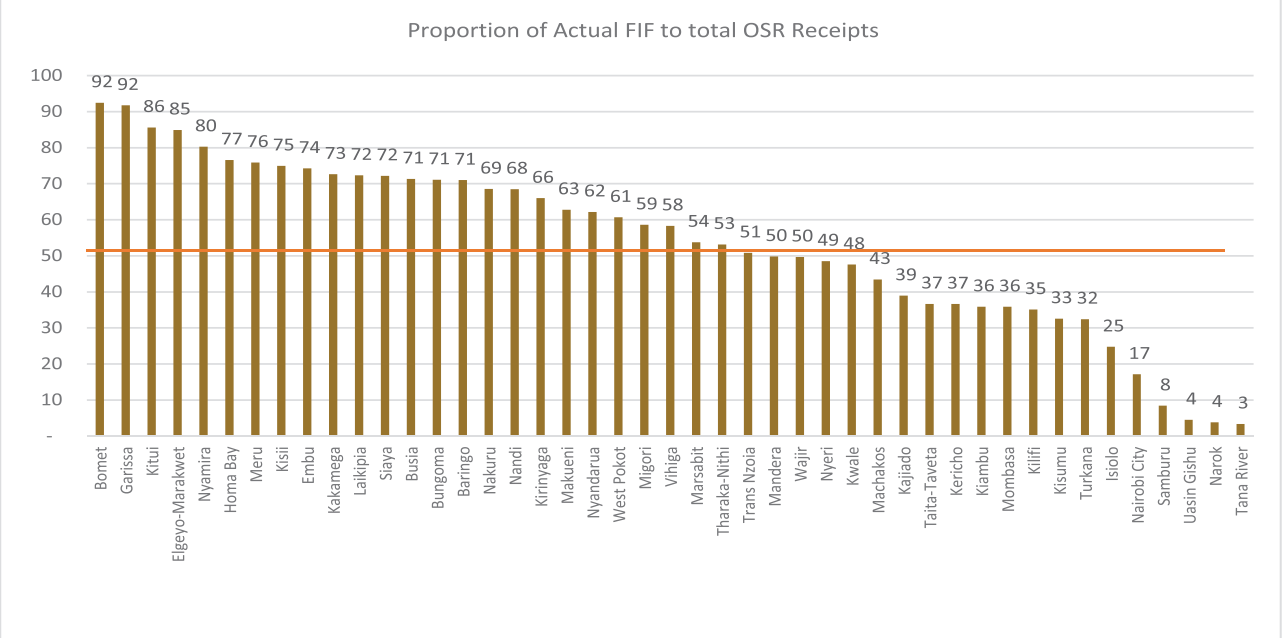
Recommendation: *County Governments should enhance revenue collection mechanisms by improving revenue administration. Counties are encouraged to explore innovative strategies to broaden the revenue base and collection of revenue arrears, which had accumulated to Kshs.156.23 billion as of 30th September 2025*

4.6. Increased Overdependence on Funding from Facility Improvement Financing

The Facilities Improvement Financing Act of 2023 establishes an efficient, secure, and accountable mechanism for collecting, retaining, and managing revenue derived from health services provided at public health facilities in Kenya. It also encourages equitable financing for health facility improvements, including benefit-sharing, in accordance with relevant Kenyan laws.

According to Section 107(2)(f) of the Public Finance Management (PFM) Act of 2012, the County Treasury is responsible for managing the County Government's public finances while ensuring that fiscal risks are handled prudently.

Observation: In the first quarter of FY 2025/26, revenue from the Facilities Improvement Financing (FIF) accounted for over 50 per cent of total local revenue in 28 Counties, up from 26 during the same period in FY 2024/25. This growth can be attributed to several factors, including improved health service delivery at the County level. While this advancement is commendable, it also raises concerns about potential overdependence on a single revenue stream.



Recommendations: *The CoB commends the County FIF's performance but recommends that Counties also enhance the performance of other revenue streams to mitigate the risk of relying too heavily on a single funding source.*

4.7. High Levels of Trade Payables

Regulation 41(2) of the Public Finance Management (County Governments) Act of 2012 states: *"Debt service payments shall be a first charge on the County Revenue Fund, and the Accounting Officer shall ensure this is done to the extent possible so that the County government does not default on debt obligations."*

In the FY 2025/26, with support from the Kenya Devolution Support Program II (KDSP II) and multi-stakeholder involvement, County Governments implemented an approved template for trade payables. This includes a trade payables universe listing all outstanding bills held by a County, an action plan outlining the trade payables to be settled in FY 2025/26, along with proposed payment timelines, and a tracking template to monitor the implementation of this plan.

Observation: As of 30th September, 2025, the Controller of Budget reported that County Governments had cumulative trade payables amounting to Kshs.177.47 billion, a decrease from Kshs.183.03 billion reported as of 30th June 2025. As indicated in Chapter Three of this report, several County Governments did not adhere to their payment plans for trade payables for the first quarter of FY 2025/26. The accumulation of trade payables hinders service delivery and disrupts business operations.

Recommendations: *County Governments are advised to prioritise the settlement of eligible trade payables as a first charge on their budgets, in compliance with the law, and to adhere to the trade payables action plan submitted for FY 2025/26.*

4.8. Low Expenditure on Development Programmes

According to Section 107(2)(b) of the Public Finance Management (PFM) Act of 2012, at least 30 per cent of County Governments' budgets must be allocated to development expenditures over the medium term. Additionally, Regulation 25(1)(g) of the PFM (County Governments) Regulations 2015 stipulates that the actual spending of County Governments on development should align with this requirement.

Observation: In the first quarter of FY 2025/26, County Governments spent Kshs 3.69 billion on development activities, representing an absorption rate of 2 per cent of the annual development budget of Kshs 220.46 billion. This reflects a 45 per cent decrease compared to the Kshs 6.71 billion spent during the same period in FY 2024/25. Further analysis revealed that 20 County Governments reported nil development absorption rate, while 26 Counties reported an absorption rate of 10 per cent or less for their development programs.

Recommendation: *The Controller of Budget advises County Governments to increase their expenditures from development budgets for the remainder of FY 2025/26. This action will help improve the absorption rate of development funds and promote overall County development.*

4.9. Lapsing of Established Fund Regulations

According to Regulation 197(1)(i) of the PFM (County Governments) Regulations 2015, the lifespan of public funds is limited to ten years unless the County Assembly extends it.

Observation: As of 330th September 2025, seventy-nine regulations governing established County Funds have either lapsed or are nearing expiration (see Chapter Two for details). The lapsing of these regulations means that these funds are no longer eligible for further withdrawals from the Exchequer.

Recommendation: *The Controller of Budget recommends that County Governments review and extend these regulations to prevent operational disruptions. Additionally, the Controller advises that all expenditures from lapsed funds should cease immediately, and legal measures should be taken to either re-establish or wind up these funds in accordance with the PFM Act of 2012.*

4.10. Delay in Submission of Financial and Non-Financial Reports to the Controller of Budget

County Governments are obligated to prepare and submit both financial and non-financial reports as required by Section 166(4) and Section 168(3) of the Public Finance Management (PFM) Act, 2012. These reports should be submitted no later than one month after the end of each quarter. Additionally, Section 16 of the Controller of Budget Act, 2016, mandates that Accounting Officers cooperate with the Controller of Budget and respond promptly to any inquiries.

According to these regulations, the Controller of Budget has set the submission deadline for financial and non-financial reports for the review period as 15th October, 2025.

Observation: Despite these legal requirements, County Governments delayed submitting their financial and non-financial reports within the recommended timeline. This delay hindered the timely finalisation of the First Quarter County Budget Implementation Review Report for the FY 2025/26. Several County Governments submitted their first-quarter reports late, including Garissa (submitted on 11th November 2025), Nairobi (11th November 2025), Narok (10th November 2025), and Tharaka Nithi County (10th November 2025).

Recommendation: *County Governments should establish mechanisms to ensure compliance with the legal requirements for submitting quarterly financial and non-financial reports to the Controller of Budget as outlined in the law.*

5. CONCLUSION

The County Governments' Budget Implementation Review Report is prepared and published in accordance with Article 228(6) of the Constitution, which mandates the Controller of Budget (CoB) to submit a report on the budget implementation status for both the National and County Governments to each House of Parliament every four months. This report provides an overview of budget implementation for the first quarter of FY 2025/26. It presents an analysis of revenue performance and expenditures in relation to annual targets, and also highlights the key challenges faced by County Governments during this period.

For FY 2025/26, the combined budgets of County Governments total Kshs.603.72 billion. This amount includes Kshs.217.80 billion (36 per cent) allocated to development expenditure and Kshs.385.92 billion (64 per cent) to recurrent expenditure. During the reporting period, County Governments collected Kshs.13.94 billion in own-source revenue, which represents 15 per cent of the annual target of Kshs.93.89 billion. This marks an improvement compared to the Kshs.12.68 billion collected during the same period in FY 2023/24.

The equitable share of revenue raised nationally and transferred to County Revenue Funds for the financial year amounted to Kshs.66.13 billion. Additionally, Counties reported receipts from additional allocations totalling Kshs.874.88 million, along with a balance brought forward from FY 2024/25 of Kshs.26.32 billion. Overall, County Governments had a total of Kshs.107.27 billion available for spending during the first quarter of FY 2025/26. Total expenditure during this period was Kshs.55.15 billion, which represents an absorption rate of 9 per cent of the annual budget of Kshs.603.72 billion. Of this, recurrent expenditure totalled Kshs.51.46 billion, accounting for 13 per cent of the annual recurrent budget, while development expenditure was Kshs.3.69 billion, representing a 2 per cent absorption rate.

Key challenges that negatively impacted budget implementation during this reporting period included delays in the submission of County Appropriation Acts and budget books to the Controller of Budget, delays in the enactment of the County Governments Additional Allocations Bill 2025, delays by the National Treasury in disbursing the equitable share of nationally raised revenue, underperformance in own-source revenue collection, an overreliance on facility improvement financing, a high level of trade payables, and low expenditure on development programs. The report offers recommendations to address these challenges.

The Controller of Budget recommends that the County Executive and the County Assembly implement the recommendations outlined in Chapter Four of this report to enhance budget implementation.

ANNEXES

Annex I: Submission of Appropriation Acts, Governors' Warrant and Budget Books to OCoB

No	County	Date Budget Documents were received by the Controller of Budget
1	Makueni	02/07/2025
2	Marsabit	11/07/2025
3	Kirinyaga	14/07/2025
4	Kisii	15/07/2025
5	Kakamega	21/07/2025
6	Machakos	21/07/2025
7	Kitui	24/07/2025
8	Mombasa	24/07/2025
9	Nyeri	24/07/2025
10	West Pokot	24/07/2025
11	Vihiga	25/07/2025
12	Nairobi	26/07/2025
13	Lamu	28/07/2025
14	Samburu	28/07/2025
15	Homa Bay	29/07/2025
16	Kiambu	29/07/2025
17	Elgeyo Marakwet	31/07/2025
18	Isiolo (Vote on Account)	21/08/2025
19	Migori	31/07/2025
20	Taita Taveta	31/07/2025
21	Murang'a	01/08/2025
22	Bomet	05/08/2025
23	Kilifi	05/08/2025
24	Kwale	05/08/2025
25	Nandi	05/08/2025
26	Nyamira	05/08/2025
27	Tharaka Nithi	05/08/2025
28	Nakuru	06/08/2025
29	Tana River	06/08/2025
30	Baringo	07/08/2025
31	Laikipia	07/08/2025
32	Narok	07/08/2025
33	Bungoma	11/08/2025
34	Busia	12/08/2025
35	Embu	12/08/2025
36	Garissa	12/08/2025
37	Kajiado	12/08/2025
38	Uasin Gishu	12/08/2025
39	Kericho	15/08/2025
40	Turkana	15/08/2025
41	Kisumu	18/08/2025
42	Nyandarua	20/08/2025
43	Siaya	21/08/2025
44	Trans Nzoia	25/08/2025
45	Mandera	27/08/2025
46	Wajir	03/09/2025
47	Meru	04/09/2025

Source: County Treasuries

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