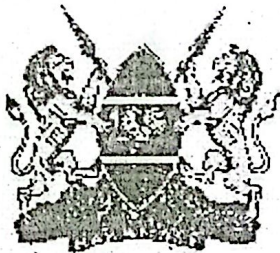


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DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

INTERNAL AUDIT DIRECTORATE

REVIEW OF PENDING BILLS AS AT 30TH JUNE, 2025

February, 2026

EXECUTIVE SUMMARY

Legal anchoring and Mandate

The verification of pending bills was undertaken within the framework of the *Constitution of Kenya, 2010*, the *Public Finance Management Act, 2012*, the *Public Finance Management (County Governments) Regulations, 2015*, the *Public Procurement and Asset Disposal Act, 2015*, and the *PSASB Internal Audit Guidelines for County Governments*.

Audit Committee and Internal Audit Mandate

Under the *PSASB Internal Audit Guidelines for County Governments*, *Audit Committees* are mandated to provide **independent oversight and assurance** on the adequacy of internal controls, risk management, and governance processes. The Guidelines further empower *Audit Committees*, through the Internal Audit function, to review and verify financial obligations, including pending bills, to ensure accuracy, legality, and completeness.

Executive Authority

In line with the above legal framework, the **Office of the Governor**, vide Memo Ref: **KEC/EOG/FEP/VOL.1/25(58)**, formally authorized the **Chairperson of the Audit Committee** to oversee and coordinate the verification of pending bills reported by County Government departments. This executive directive reinforced the statutory mandate of the *Audit Committee and Internal Audit function*, and provided the necessary authority to access records, personnel, and project sites for purposes of verification.

Summary of Audit Findings

An audit review of pending bills was conducted to assess the validity, completeness, and compliance of pending obligations recorded by the County Government departments, as well as the effectiveness of internal controls governing their management. The review revealed significant weaknesses in the management of pending bills, which expose the County to financial, legal, and reputational risks.

The audit established that a substantial number of pending bills were **unverified**, with inadequate or missing supporting documentation to confirm the authenticity of the claims. In several instances, projects linked to pending bills were found to be **incomplete**, while others were determined to be **non-existent**, raising concerns over the accuracy and reliability of the pending bills register. Additionally, some pending bills related to **multi-year projects** were improperly classified as current pending obligations, contrary to established financial management and reporting requirements.

Further review identified **non-compliance with procurement laws**, notably the **splitting of contracts** to circumvent prescribed procurement thresholds and approval processes. This practice undermined transparency, competition, and accountability, and exposed the entity to

potential legal sanctions. The audit also noted the accumulation of **long-outstanding pending bills**, some of which had remained unpaid for extended periods without clear justification or evidence of follow-up, increasing the risk of penalties, litigation, and budgetary distortions.







In terms of performance, the review identified cases where **value for money was not achieved**, such as the drilling of boreholes that yielded no water, meaning the intended objectives of the projects were not realized despite the expenditure incurred.

Overall, the findings point to **weak internal controls** over project implementation, procurement, documentation, and verification of pending bills. These weaknesses increase the risk of irregular expenditure, misstatement of financial records and obligations, and inefficient use of public resources. Urgent management attention is required to strengthen controls, enhance compliance with procurement and financial management laws, and ensure that only valid, supported, and approved obligations are recognized as pending bills.

Summary Table of Audit Findings by Department
 Note: All amounts are in Kenya Shillings (KES).

Department	Unverified (KES)	Absence of Supporting Documents (KES)	Unbudgeted (KES)	Long Outstanding (KES)	Contract Splitting (KES)	Multyear (S.D) (KES)	Weak Internal Controls (KES)	Value for Money Not Achieved (KES)	Non-Existent (KES)	Incomplete projects (KES)	Projects by National Government (KES)	Department Total (KES)
EOG	42,748,496	5,409,250										48,157,746
Finance	52,534,580	2,515,113				142,365,021						197,414,714
Trade	6,725,258	7,381,635										14,106,893
Education	45,053,752	36,144,101										81,197,853
Lands	50,002,952	46,735,806										96,738,758
Health	36,455,864	47,473,709							2,962,390	1,824,000		88,715,963
Roads	504,217,496	239,211,888		199,224,210					6,386,116	9,942,769	3,949,012	946,922,479
Water	175,394,082								3,614,851		9,457,411	190,452,960
ICT	85,218,995	55,941,446		10,726,152								151,886,593
Agriculture	97,021,575								5,994,600	1,981,970		104,948,145
PSM	21,629,772			12,199,431						2,927,760		36,816,963
CPSB	15,205,610											15,205,610
Recurrent Pending Bills (Salary Arrears and Statutory Deductions)	238,540,148											238,540,148
TOTAL	1,370,808,580	434,812,948		216,149,793		142,365,021			18,957,937	16,626,499	13,406,433	2,218,137,221

Audit Committee Composition and Submission Confirmation

<u>No.</u>	<u>Name</u>	<u>Designation</u>	<u>Signature</u>	<u>Date</u>
1	CPA Joseph Ndiku Muthama	Chairman – Audit Committee		02/04/2026
2	CPA Betty C. Chepkwony Munai	Member		02/04/2026
3	FCPA Isaac Kiprono Rutto	Member		02-04-2026
4	CPA James Kugo Sambu	Member		02/04/26
5	CPA Fernandes Korir	Member		2/4/26
6	CPA Gilbert Turgut	Secretary – Audit Committee		2/4/2026

b). Department of Agriculture

Kamolok Cattle dip Refurbishment

