



COUNTY GOVERNMENT OF NANDI

REVENUE DEPARTMENT AUDIT REPORT

INTERNAL AUDIT REPORT FOR THE PERIOD ENDED

30TH JUNE 2025

FINANCIAL YEAR 2024/2025



1.0 EXECUTIVE SUMMARY

The Internal Audit review was conducted to assess the adequacy and effectiveness of revenue management systems within revenue department for the Financial ended 30th June 2025. The audit focused on revenue collection, recording, monitoring, and reporting processes..

The review identified significant weaknesses affecting revenue performance, accountability, and control. Key issues noted include existence of revenue leakages, comprehensive revenue mapping not up to date and weakness in revenue records management

These weaknesses exposes the county to risks of revenue loss, inaccurate financial reporting, and reduced capacity to fund planned programs and service delivery

1.2. AUDIT OBJECTIVES

- Assess effectiveness of revenue collection controls
- Evaluate achievement of revenue targets
- Review adequacy of valuation tools
- Assess compliance with laws and policies

1.3. Audit Scope

The audit review covered the period ended 30th June 2025

2.0 AUDIT FINDINGS

2.1. Unsupported Land rates

The statement of revenue and disbursements reflects revenue from non-exchange transactions amount of Kshs.**286,242,766**. Included in the amount is Kshs. 64,643,167 in respect of land rates in the revenue statements. However, the amount was not supported with updated valuation roll for six (6) Sub-Counties detailing the plot owners, location, plot value, and land rates payable per year.

In the circumstances, the accuracy and completeness of land rates amount of Kshs.64, 643,167 could not be confirmed

Management Response

Remarkable progress has been achieved with an approved valuation roll and a register of all plots now ready for implementation.

2.2. Unsupported Parking Fees

The statement of revenue and disbursements reflects revenue from exchange transaction amount of Kshs. 399,615,423. Included in the amount is Kshs. 30,547,900 in respect of parking fees as part of the revenue statements. However, management did not maintain a register of the parking slots available within the County which would have been used to estimate revenue from the street parking.

In the circumstances, the accuracy and completeness of the parking fees amounts of Kshs. 30,547,900 could not be confirmed

Management Response

County government of Nandi does not have parking slots in the sub counties only within the municipality.

The management within municipality is in process of marking all parking slots and maintain the registered of all parking slots including the Reserve parking slots with the municipality with the help of the new system in place. Only corporate entices reserve for the parking slots

2.3 Other Receipts not Received Through CRF-Tea and Sugar Cess

The statement of revenue and disbursements reflects revenue from non-exchange transfers-tea and sugar amount of Kshs. 124,713,315 which differs with Note which discloses ksh. 160,901,131 resulting to a variance of ksh. 36,187,816 which has not been explained. Inquiry on cess collection revealed that the collections were done through the stake holders committee whose representation included; tea factories, tea farmers and the county government of Nandi who were joint signatories to the account operated. This was agreed after court rulling which declared collection of Cess unconstitutional. However, documents were not provided to support collection of Cess of kshs. 124,713,315.

In the circumstances, the accuracy and completeness of the revenue from tea and sugar amount amount of kshs.124,713,315 could not be confirmed.

MANAGEMENT RESPONSE

Cess Collection and Management was done by the County Government until the year 2018 when a petition was filed by a number of the large tea sector players contesting the legality of collection of tea cess by the county. The ruling was made in favour of the petitioners. The copy of the ruling is annexed hereto.

The cess collections were traditionally part of the resources appropriated towards roads maintenance predominantly in the tea producing areas. Faced with the challenge of reduced resources, the county reached out to the tea stakeholders to find an amicable way of solving the problem of bad roads.

2.4. Non-Maintenance of Electronic Register

The statement of revenue and disbursement reflects total own generated revenue of Kshs. 685,858,189 which differs with the actual revenue collection reflected in statement of budget and actual amounts that discloses Kshs. 771,534,969 resulting to a variance of Kshs. 85,676,780 that has not been explained. In addition, included in total revenue of Kshs. 685,858,189 is Kshs. 64,643,167 relating to the statement of revenue. However, the Receiver of Revenue had not maintained a backup register of plot rent or parcel of land owners which could be used in case of loss or destruction of manual register.

Management Response

The county is in the process of updating all Plots and Land Rates to the new National bank system before the end of the year after the completion of the valuation roll.

Remarkable progress has been made with a draft valuation roll and a register of all plots and land owners now ready

2.5. Revenue Leakages and Weak Controls

Audit review revealed instances of revenue leakages within the department, evidenced by variances between expected revenue and actual collections, unsupported adjustments and weakness in revenue collection, recording, and reconciliations processes. In some cases, revenue collected was either not fully accounted for or promptly remitted.

Cause

Revenue leakages may be attributed to weak internal controls over revenue collection and receipting and inadequate supervision and monitoring revenue collection points

Consequence

Inaccurate financial reporting

Recommendation

Management should strengthen internal controls over revenue collection and reporting

Management Response

Management acknowledges the audit findings on revenue leakages arising from variances between expected revenue and actual collections, unsupported adjustments, and weaknesses in revenue collection, recording, and reconciliation processes.

The observed gaps have largely been attributed, inadequate segregation of duties, delayed reconciliations, and insufficient supervisory oversight. Management notes these weaknesses and is committed to strengthening internal controls to safeguard revenue and enhance accountability

2.6. Failure to update the Revenue Streams

It was noted that the revenue department has not comprehensively mapped and documented all its revenue streams. There was no updated register outlining all potential and existing sources of revenue within the county. This creates gaps in identifying, tracking and collecting all due revenues

Cause

This issue may be attributed to lack of structured revenue mapping framework

Recommendation

The management should maintain and up-to date revenue streams register

Management Response

To address this, management has commenced an exercise to comprehensively identify, map, and document all revenue streams across departments. This process is currently ongoing and involves collaboration with all relevant units to ensure that both existing and previously unrecognized revenue sources are captured.

Conclusion

The audit concludes that the revenue department's systems and controls are inadequate to ensure efficient revenue collection and accountability. The identified weaknesses require urgent management intervention to enhance revenue performance, safeguard public resources and improve financial reporting.

Implementation of the recommended measures will significantly strengthen revenue management and support the County in achieving its fiscal objectives

MANAGEMENT ACTION PLAN

Finding	Action	Responsible officer	Timeline
Revenue targets not met	Review and align targets	Chief officer Finance	2months
Revenue leakages	Strengthen controls	Revenue Director	2months
Weak Revenue Database and Records Management	strengthen revenue records management systems	Revenue Director	3months
Failure to update the Revenue Streams	Update the revenue streams register	Revenue Director	3Months
Unsupported Land rates	Updating all Plots and Land Rates	Revenue Director	2months
Unsupported Parking fees	Marking all parking slots and maintain the registered of all parking slots	Chief officer Finance	2Months



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