

MANDERA COUNTY GOVERNMENT
CE/CM-FINANCE & ECONOMIC PLANNING
25 JUL 2025
RECEIVED
COUNTY GOVERNMENT OF MANDERA
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING
INTERNAL AUDIT UNIT
P. O. BOX 13-70300, MANDERA

Ref: MCCREV/IA/VOL1/05

Date: 25th July, 2025

County Chief Officer, Revenue Services.

RE: INTERNAL AUDIT REPORT ON REVENUE PERFORMANCE FOR YR 2024/25.

1.0 Introduction

We have carried out an audit of revenue performance on efficiency of revenue collections, the audit was designed and planned to test if the financial and other records maintained conform to the PFM Act and other existing financial regulation and the effectiveness of controls in the management of the own source Revenue.

The internal audit assessed collections and management of revenue in various sections within the county and controls in place in revenue management.

2.0 Objectives of the Audit

The objectives of the audit were to;

- 1) To examine whether the County residents have realized value for money in relation to revenue they pay.
- 2) To assess the adequacy of measures put in place by the management to effectively and efficiently collect revenue including level of automation.
- 3) To establish whether policy and framework are adhered to in management of Revenue.
- 4) To examine the level of control of the revenue collected at every stream.

3.0 Scope and Methodology of the Audit

The audit focused on revenue collection within the county for the financial year 2024/25. The audit exercise took place between 21st to 30th July 2025.

The audit tools and techniques used to gather information included physical verification, examination of collection control sheet, Mpesa paybill statement, cash book, bank statement and reconciliation.

4.0 Internal Audit Findings

4.1 Cash book review.

A review of effectiveness of the internal controls of cash established that the recording of the cashbook was checked and balanced as required.

Bank reconciliation were prepared and availed for the period under review. However, bank reconciliation for the month of June 2025 was not prepared, therefore bank balances and cash book balances for the month of June 2025 cannot be confirmed.

Risk and impact: Errors and misstatement may occur affecting cash book balance and consequently resulting in unreconciled figures between the cash book and bank statement.

Recommendation: Prepare bank reconciliation statement for the month of June 2025 reconciling cash book figures with statement figures.

4.2 Increase in Revenue performance

During the year under review, it was noted that the County generated Kshs.431.17 million from its revenue sources, including facilities improvement funds (FIF). This amount was an increase of 256% compared to Kshs.168.75 million realized in a similar period in the FY 2023/24, and was 123% of the annual target of ksh 350 million.

The increase in own source revenue (OSR) was attributed to improved enforcement measures put in place, automation, and a significant growth in hospital collections which was attributed to implementing of the **Mandera County Health Services Improvement Financing Act,2023**.

The revenue streams which contributed to the increase of OSR receipts are as per Table 1.

Table I: Revenue performance analysis by streams.

S/no.	Streams	Target	Collection	Performance (%)
1.	Land rents	71,055,477	33,538,419	47
2.	Plot Transfers Application Fees	52,590,771	15,809,240	30
3.	Building plan	4,507,780	651,900	15
4.	Miraa Movements	25,746,994	9,504,500	37
5.	Single Business Permit	31,452,729	24,709,420	79
6.	Markets stalls/ Shades	17,948,637	8,264,735	46
7.	Market Gates/Cess	2,314,519	584,900	25
8.	Buspark/Taxis/Parking	3,569,313	582,580	16
9.	Income from Quarries	2,184,181	901,362	41
10.	Barriers	10,601,096	17,805,754	168
11.	Livestock Markets Auction	6,984,555	5,156,890	74
12.	Livestock Movement	12,416,647	11,470,617	92
13.	Slaughter fees and Charges	13,924,152	5,842,520	42

14.	Produce Cess	3,872,038	2,156,880	56
15.	Agriculture Mechanization/Hire of Equipments	1,850,193	326,000	18
16.	Rental income	1,421,293	1,085,600	76
17.	Tender Fees	8,503,226	28,607,904	336
18.	Public Health	11,605,112	2,283,202	20
19.	Fire Services	3,280,000	1,184,900	36
20.	Hospital Collection	51,785,008	226,862,370	438
21.	Income from Water Management	12,386,281	33,842,589	273
		350,000,000	431,172,282	123

4.3. Inefficiencies in Revenue Collection.

Audit noted the challenges and inefficiencies encountered in revenue collection and reporting, and recommend mitigation measures to improve revenue administration system. Example one of the stream with high potential for improvement is land rates as analyzed.

Land rates

In the Financial Year 2024/25, the county through department of lands realized revenue of Kshs. 33,538,419 compared to Kshs. 42,610,819 collected in the previous financial year. It is worth noting that the County recorded 79% underperformance in land rates collection.

The following Challenges was noted.

- a) Collusion between revenue clerks and land rate payers: - Audit noted that there was collusion between rogue officers and rate payers leading to downward adjustments of land rates payable. Existence of different rating in different locality, specially non surveyed plots creates room for this collusion.
- b) Fake clearance certificates: - Despite having a digital platform to administer Land rates, clearance certificates/reciepts have remained manual. This exposes their issuance to fraud. It is also not possible for internal audit unit to verify the authenticity of the manual clearance certificates.
- c) None formalization of orders: - Executive orders in the past have been issued directing the rating office on what to implement as far as land rates administration is concerned. However, most, of these orders are not formalized and even not gazetted. This leaves the office tied as all duties must be executed with utmost adherence to the laws.
- d) Amendments to the Land Registration Act No. 3 of 2012: - county department of lands heavily relies on mutual co-operation between the County Government and the Ministry of Lands at the National Government level to enforce collection of land rates before any transaction on land is recorded at the land registries. The Ministry on 22nd May 2019 issued a public notice removing the requirement for land rates clearance while carrying out land transactions. This crippled the County's ability to collect maximum land rates related revenue.
- e) Lack of demand notices to land owners: - The County Valuation and Rating vests the power to enforce payment of annual rates upon the CECM Finance. It was noted that whereas the law provides for the CECM to dispatch demand notices for land rates due, the same is not done for long. Further, there is no adequate mechanism in place to communicate to landowners on annual rates payable at the beginning of the year. This has resulted in a huge land rates arrears.
- f) Non-Harmonious rating regimes: - The County Government took over from the defunct local authorities, which had different land rating regimes. Rate payers have complained

of an unfair rating system that subjects different areas to different base years hence inequity. This has also been interpreted as lack of transparency.

- g) Lack of Legal Documentation Support: - In county, it is hardly possible to get legal documentation supporting rating that are currently in use. This may present legal challenges especially for the rating regime that were not gazette.
- h) Lack of proper staff facilitation: - It was noted that the directorate is not adequately facilitated to carry its mandate effectively for instance the department lacks adequate office space and dedicated vehicle for mobility.

Recommendation

- a) Create Checks and balances to address collusion between rogue officers and rate payers: - To ensure transparency and accountability in the billing and invoicing of the land rates, audit recommends that finance officers be included in the workflow once the valuer has completed the assessment. This will ensure that what has been assessed is what is in the invoice.
- b) Automation of the rates clearance certificate issuance: - To avoid the instances of having fake clearance certificates, we recommend the immediate migration from manual to online clearance certificates generated once land rates have been cleared. This will ensure compliance to land rates payment.
- c) Automation of land rate payment: - Measures be put into place to automate rates payment and ensure that rate payers are able to pay for their land rates remotely without the need for visiting the county offices. This will reduce the avenues for collusion by eliminating human interaction.
- d) Link payment of utility services such as water bills and Single business permits (SBP) with the payment of land rates by requiring display of proof of payment of land rates. Utilities and SBPs require information on the plot of land where the services will be provided, it is therefore possible at that point to find out whether the land rates have been paid or not.
- e) Collaboration with the National Government I.e. Ministry of Lands. The National Government is still our biggest partner as far as enforcement of land rates revenue

payment is concerned. It is recommended that the office of the CECM in charge of lands explores avenues of having the decision to remove the requirement for land rates clearance certificates. This will ensure that the directorate is able to get the rates revenue at the point of transaction.

- f) Communication to land owners regarding annual rates payable: - Audit recommends establishment of an effective and timely communication system to land rates payers on their obligations. Rate payers should be frequently reminded of their duty to pay land rates for the coming year at least a month before the end of the year that is in December. Platforms such as text messages are an effective channel and should be implemented immediately. This will increase the level of compliance.
- g) Enhanced enforcement measures to enable land rates collection: - Audit noted the low compliance levels of land rates payment. It is therefore recommended that land rates payment be a demand during physical planning and development application, and business permit. The audit also calls upon more stringent measures by the CECM Finance in enforcing land rate payments against defaulters as empowered by the law.
- h) Strengthening the Land directorate immediately: - The directorate should be facilitated with the necessary resources required such as inspection vehicles, GPS tools, survey equipment and maps.
- i) Regular audits of systems and operations: - we recommend management to carry out regular spot checks by surveillance teams to audit the daily operations within the land rates administration system as well as audits to identify any loopholes and recommend areas of improvement. This will ensure that any inefficiencies are detected in good time

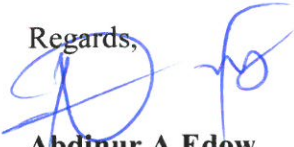
5.0 Conclusion.

The County has significantly improved in Own Source Revenue. However, there still exist potential for further improvement, this requires: Strong commitment, Investment in systems and infrastructure, Enforcement of controls and compliance

The above audit findings could negatively impact on achievement of strategic/operational objectives if not addressed.

Management commitment to address the concerns raised will improve the effectiveness of risks management, control and governance processes and enhances delivery of better value for money.

Regards,



Abdinur A Edow

Head of Internal Audit Services.



Copy to: County Chief Officer Accounting & Financial services