



*Polena*  
**COUNTY CHIEF OFFICER**  
REVENUE SERVICE

06 FEB 2026

COUNTY GOVERNMENT OF MANDERA  
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING  
MANDERA COUNTY  
P.O BOX 13-70300 MANDERA



Ref: CGM/IA/REV/VOL1/08

Date: 5<sup>th</sup> February, 2026

County Chief Officer, Revenue Services.

**RE: INTERNAL AUDIT REPORT ON REVENUE PERFORMANCE, FIRST TWO QUARTERS OF 2025/26 FINANCIAL YEAR.**

**1. Introduction.**

The Internal Audit unit undertook an audit of Own Source Revenue for the first half of the 2025/26 financial year. The review covered all receivers of revenue in the county.

**2. Audit Objectives - The main objectives of the audit were to:**

- Assess the adequacy of internal controls over revenue collection, recording, and reporting.
- Verify accuracy and completeness of revenue reported for the quarter
- Determine compliance with applicable financial management laws and regulations.
- Recommend measures to enhance accountability, efficiency, and revenue performance.

**3. Scope and Methodology**

The audit covered Own Source Revenue activities for the period July to December 2025 across all the receivers of revenue. The audit exercises took place between 26<sup>th</sup> January to 3<sup>rd</sup> February, 2026.

The audit approach involved:

- Review of revenue registers, receipts, billing records, and bank statements.
- Analysis of collections versus targets and verification of variances.
- Examination of compliance with PFM laws and County revenue procedures.
- Interviews with departmental heads, revenue officers, and cashiers.
- Spot checks of collection points to assess control environment.

#### **4. Internal Audit Findings.**

##### **4.1 Improvement in revenue Performance.**

During the half year under review, it was noted that the County collected Kshs. 177,696,817 from its revenue sources, including facilities improvement funds (FIF). This amount was an increase of 191% compared to Kshs. 92,903,264 realized in a similar period in the FY 2024/25.

The growth in Own Source Revenue (OSR) is attributed to strengthened enforcement mechanisms, enhanced automation and the effective enactment and implementation of key legislative frameworks and policy instruments.

- a) Mandera county health services improvement financing Act, 2023
- b) Mandera county tax waivers administration Act, 2026
- c) Mandera county trade licensing Act, 2026
- d) Mandera county cess Act, 2026
- e) Mandera county Rating Act, 2026
- f) Mandera County Revenue Mobilization Strategic Plan (2027–2028)
- g) Tariffs and Pricing Policy -January 2026
- h) Revenue Stream Mapping Report -January 2026

Despite general improvement, it was noted that some stream recorded decline in collection, here under find departmental performance relative to its respective half year target.

##### **4.11 Department of Agriculture and Livestock.**

The department achieved 86% of its half yearly revenue target, collecting Kshs 7,997,561 against target of Ksh 9,253,340.

Audit review noted weak internal controls and absence of daily records for livestock market sales, slaughter charges, and tractor hire. There were no supporting schedules showing the number of animals sold or slaughtered, no any application forms for tractor hire services to verify reported collections.

Physical visit to AMS station noted that the yard is too small for Nine (9) tractors, we also noted that two (2) tractors have mechanical breakdown with no repair plan.

Comparison of revenue returns of last financial year to current one for the same period noted improvement in revenue performance

**Risk:** Poor documentation and weak supervision may lead to revenue loss and misreporting.

**Recommendations:**

- 1) Maintain daily collection registers and reconciliation schedules subject to independent verification.
- 2) Prepare/maintain daily schedules for livestock market and slaughter records.
- 3) Timely machine service, repair and maintenance to increase performance at AMS station
- 4) Dispose of old tractors with frequent breakdown and procure a new one to reduce down time.
- 5) Conduct monthly performance reviews and strengthen supervisory controls.
- 6) Regular rotation/transfers of revenue clerks and supervisor at livestock market, slaughter houses and in other cash collection centers to mitigate collusion of officers.

**4.12 Department of Finance and Economic Planning.**

The Department collected Ksh 19,420,587 against half yearly target of Ksh 30,819,750, representing 63% performance.

There were no receivables registers or follow-up mechanisms in place to track outstanding tender fees from contractors, making it impossible to ascertain compliance. Daily collection records for miraa movement and barrier fees were also not maintained.

In the circumstances, the effectiveness of Management controls on the revenue collection and the reliability of the revenue collection system could not be confirmed.

**Risk:** failure to maintain records and register may lead to errors not detected or inaccurate reporting.

**Recommendations:**

- 1) Establish receivables registers and enforce timely collections of arrears.
- 2) Update daily records for all streams.
- 3) Reconcile tender fees charged vs collected.
- 4) Conduct regular performance reviews and align targets with actual operational capacity.

**4.13 Department of Lands and Urban Development.**

The department collected Ksh 23,691,278 against a target of Ksh 54,457,886, representing a performance rate of 44%.

Audit review noted an outstanding land rate arrears of Ksh **556,758,000** owed over the years from 96,030 registered plots, (of which only 26,714 are automated).

No recovery plan or updated records were maintained to support effective debt management. However, we noted commendable improvement in performance compared to the first two quarters of last financial year.

**Risk:** Weak debt management may result in loss of potential revenue and poor accountability.

**Recommendations:**

- 1) Develop land rate arrears recovery plans.
- 2) Update arrears register and automate billing.
- 3) Sensitize landowners on the importance of land rate
- 4) County executive to Introduce time-bound waiver incentives on outstanding land rate to boost collections and relief land owners the burden.
- 5) Revenue mobilization campaign and stakeholder engagement to spread awareness.
- 6) Need for own revenue account for ease of reconciliation and tracking collections.

#### **4.14 Department of Trade and Cooperative Development.**

The department collected Ksh 658,450 against a target of Ksh 5,376,008, achieving only 12%. Audit noted lack of effort to mobilize revenue, with no demand notices issued to traders and no daily collection records for market stalls and business permits.

Also stock of business premises was not maintained, thus non-compliant traders cannot be ascertained.

Management noted beginning of calendar year (January) to be the highest collection season as traders pay for the single business license once every year. Thus we expect performance improvement in next quarter.

**Risk:** Inefficient revenue collection and risk of misreporting due to weak internal controls.

#### **Recommendations:**

- 1) Maintain daily revenue registers and reconciliation schedules.
- 2) Carry out mapping of the business premises outside municipality and maintain inventory of business premises.
- 3) Issue demand notices to business with outstanding county debt.
- 4) Enhance public revenue mobilization.
- 5) Strengthen supervision to mitigate revenue leakage

#### **4.15 Department of Water and Energy.**

The department collected Ksh 19,052,686 against a target of Ksh 23,167,000, achieving 57% of its half yearly target.

Audit review revealed lack of daily collection records, absence of a borehole inventory, and no receivables tracking mechanism.

Collections from boreholes could not be verified due to missing registers of outstanding receivables. There were also no records existed for households with active water connections outside water company jurisdictions.

**Risk:** Weak supervision and inadequate record-keeping increases the risk of revenue leakage, loss and inaccurate financial reporting.

**Recommendations:**

- 1) Maintain daily revenue collection registers.
- 2) Update borehole inventory and receivables schedule.
- 3) Enforce monthly reconciliations of collections against actively operating boreholes.
- 4) Document household connections for billing.

**4.16 Department of Health Services.**

The department collected Kshs 87,646,814 against a target of Kshs 161,262,504 representing (54%) of its target.

A review of effectiveness of the internal controls of cash established that cash book at MCRH was updated and balanced regularly.

Audit review noted that sub county facilities did not maintained monthly bank reconciliation statements for the period, this might lead to accounting and Bank errors go undetected.

Also, sub county facilities did no availed summary of patient registers to project collection for the period against recorded collection at every center.

In the absence of these records, we cannot independently verify or ascertain the department's reported collection of ksh 87,646.814.

**Risk:** Lack of proper reconciliation and weak claim management expose the sub county facilities to loss of revenue, potential misappropriation and understatement of income.

**Recommendations:**

- 1) Conduct monthly reconciliations of every facility.
- 2) Track and improve SHA claims, especially at sub county facilities
- 3) Automate collection systems and Strengthen supervision.

**4.17 Mandera Municipality**

The municipality reported Ksh 16,465,301 against a target of Ksh 38,680,928, representing a 43% performance.

Slaughter fees could not be verified due to missing registers. These weaknesses indicate poor record management, and non-compliance with PFM Regulations.

**Risk:** Potential loss and misappropriation of revenue through poor documentation.

**Recommendations:**

- 1) Undertaking proper mapping of the business premises in the municipality and update list of business under correct classification.
- 2) Maintain full revenue documentation.
- 3) Strengthen oversight over revenue staff.

**4.18 Elwak Municipality.**

The municipality reported Ksh 2,764,140 against a quarterly target of Ksh 8,245,000, achieving 34%.

Although records of business premises were available, reported collections were not consistent with the number of registered businesses in the municipality.

We have reviewed cash book for the entity, Mpesa pay bill statement and other records availed, we noted no errors.

**Risk:** collections mismatch with registered business in the municipality increase the risk of revenue loss and poor accountability.

**Recommendations:**

- 1) Reconcile all streams collections
- 2) Strengthen internal controls and supervision.

**4.19 Mandera Water and Sewerage Company (MANDWASCO).**

The company reported Ksh 6,588,993 against a target of Ksh 9,000,000, achieving 73%.

Billing for the period was done. However, the billed amounts did not translate into corresponding collections, indicating weak linkage between billing and revenue realization.

Further, the majority of customer connections remain unmetered, making it difficult to determine actual water consumption and bill customers accurately.

Although meters were delivered and installed recently, no trained personnel or plans were in place for meter reading and monitoring. These weaknesses reflect poor billing controls, and unreliable revenue reporting.

**Risk:** Incomplete billing and lack of metering expose the company to revenue loss, inaccurate reporting, and weak accountability.

**Recommendations:**

- 1) Implement structured billing and arrears recovery plan.
- 2) Meter all connections.
- 3) Maintain billing and receivables registers.
- 4) Strengthen monitoring.

**4.110 Elwak Water and Sewerage Company (ELWASCO).**

The company reported Ksh 3,851,057 against a target of Ksh 6,000,000, achieving 64%.

Audit review noted that household connection records were missing, and no enforcement measures existed for arrears recovery.

Most customer connections remained unmetered, making it difficult to determine actual water consumption or bill accurately, while manual supervision was found to be inadequate. Additionally, there were no stock of active house hold connections to project revenue from water sales.

**Risk:** Absence of metering, and lack of structured billing expose the company to revenue leakage, inaccurate reporting, and accountability gaps.

**Recommendations:**

- 1) Maintain household connections and arrears registers.
- 2) Conduct monthly billing.
- 3) Install and monitor meters.
- 4) Maintain daily collection summaries

**4.111 Takaba Water and Sewerage Company (TAWASCO).**

Takaba Water and Sewerage Company (TAWASCO) reported Ksh 1,674,952 against a target of Ksh 2,000,000, achieving 84%.

Cash management controls were poor, as 60% of the collections were made in cash rather than through mobile or agent transfers.

Reliance on cash transactions presents significant control weaknesses, as cash is highly susceptible to loss, theft, delayed banking, or misappropriation before being deposited.

The company also lacked daily collection summaries and operated entirely on manual processes with minimal supervision, leading to unreliable financial reporting and heightened risk of misappropriation.

**Risk:** Over reliance on cash transactions exposes the company to misappropriation or loss of revenue.

**Recommendations:**

- 1) Adopt cashless or minimize cash handling by adopting cashless systems such as M-Pesa pay bill and direct bank transfers.
- 2) Develop billing schedules.
- 3) Conduct regular performance reviews and align targets with actual operational capacity, review annual and quarterly targets upward.

- 4) Automate revenue collection processes and integrate it with the revenue department reporting platforms.

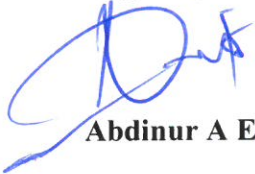
## 5. Conclusion.

The internal audit concludes that Own Source Revenue performance for the first half of the FY 2025/26 was below target. However, audit noted commendable improvement in performance compared to similar period last financial year.

The above audit findings could negatively impact on achievement of strategic/operational objectives if not addressed. Management commitment to address the issues raised will improve the effectiveness of risks management, control and governance processes and enhances delivery of better service.

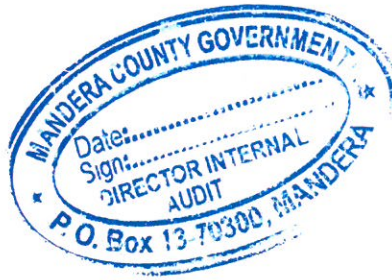
We wish to thank the departmental management and staff for the cooperation accorded during the audit exercise.

Regards,



**Abdinur A Edow**

**Head of Internal Audit.**



Copy to: County Chief Officer, Accounting and Financial services.