

**LEGAL NOTICE NO.....**

**THE PUBLIC FINANCE MANAGEMENT ACT**  
*(Cap. 412A)*

**IN EXERCISE** of the powers conferred by sections 73(2) of the Public Finance Management Act, the Cabinet Secretary for the National Treasury makes the following Regulations—

**THE PUBLIC FINANCE MANAGEMENT  
(NATIONAL GOVERNMENT) (AMENDMENT)  
REGULATIONS, 2026**

Citation.

**1.** These Regulations may be cited as the Public Finance Management (National Government) (Amendment) Regulations, 2026.

L.N. 34/2015.

**2.** The Public Finance Management (National Government) Regulations, 2015, hereinafter referred to as the “principal Regulations”, are amended in regulation 162 by—

- (a) deleting paragraph (1);
- (b) inserting the following new sub regulation immediately after paragraph (3)—

(3A) No internal auditor shall be dismissed, demoted, suspended, harassed, discriminated against, intimidated, or experience any other form of retaliation for—

- (a) performing their duties in good faith;
- (b) reporting irregularities, fraud, misconduct, or non-compliance; or
- (c) providing findings, recommendations or opinions related to the internal audit function.

**3.** The principal Regulations are amended by deleting the sub heading appearing immediately after regulation 162.

**4.** The principal Regulations are amended by deleting regulation 163.

**5.** The principal Regulations are amended by deleting regulation 164.

**6.** Regulation 165 of the principal Regulations are amended—

- (a) by renumbering the existing provision as paragraph (1);

- (b) by inserting the following new paragraph immediately after paragraph (1)—
- (2) For purposes of paragraph (1) the accounting officer shall—
  - (a) establish, implement and maintain an integrated and enterprise-wide risk management framework that includes documented risk management strategies incorporating effective fraud prevention, detection and response mechanisms
  - (b) ensure that the design and implementation of the risk management framework has a comprehensive system of internal controls that—
    - (i) supports sound governance;
    - (ii) safeguards public resources;
    - (iii) enhances operational resilience; and
    - (iv) promotes efficient and effective service delivery;
  - (c) ensure there is adequate financial, technical and human resource capacity for risk management in the entity; and
  - (d) submit an annual report of the risk management framework to the Cabinet Secretary responsible for the entity or the head of that entity.

7. The principal Regulations are amended by inserting the following new regulation immediately after 165—

Risk Management Committee.

**165A.** (1) An accounting officer of a national government entity shall establish a risk management committee for the entity to provide strategic guidance on risk management matters.

(2) The risk management committee shall comprise of—

- (a) the accounting officer of the entity who shall be the chairperson of the committee;
- (b) the head of the risk management function in the entity who shall be secretary of the committee; and
- (c) all heads of departments within the entity.

(3) The risk management committee shall—

- (a) oversee development of risk management policy, plans and programmes;
- (b) oversee risk governance by ensuring that significant strategic, operational, financial, compliance and emerging risks are identified, assessed and appropriately managed, including risks arising from anticipated internal or external changes; and
- (c) monitor the adequacy and effectiveness of risk mitigation measures, including risk management systems, internal controls and management actions addressing identified and emerging risks.

(4) The risk management committee shall meet at least once every quarter.

(5) The risk management committee shall be accountable to the Cabinet Secretary responsible for the entity or the head of that entity.

**8.** Regulation 166 of the principal Regulations is amended by adding the following new sub paragraph immediately after paragraph (3)—

(4) Each year, the performance of the audit committee shall be evaluated by the Internal Auditor-General in accordance with the guidelines on performance evaluation issued by the Public Sector Accounting Standards Board.

**9.** The principal Regulations are amended by deleting regulation 174 and substituting therefor the following new regulation—

Establishment of  
audit committees. **174** (1) Subject to paragraph (2) of this regulation, each national government entity shall have an audit committee.

(2) The National Treasury, where deemed necessary, may approve the sharing of one audit committee by two or more entities.

(3) In the case of a shared audit committees referred to in paragraph (2), the appointing authorities of the concerned entities shall jointly appoint the chairperson and members of the joint audit committee in consultation with the National Treasury.

(4) The audit committee shall comprise of five members including the representative from the National Treasury.

(5) At least two of the members of the audit committee shall be from recognised professional bodies.

(6) A person qualifies to be appointed as the chairperson of the audit committee, if that person—

- (a) is a holder of at least a first degree from a recognized university in Kenya;
- (b) has a good understanding of the objects, principles and functions of the entity to which they are to be appointed;
- (c) is independent of the national government entity establishing the audit;
- (d) does not hold a political office;
- (e) possess the requisite governance, business and leadership competencies;
- (f) possess relevant qualifications and expertise in audit, accounting or financial management;
- (g) is a member of and is in good standing of a recognised professional body; and
- (h) demonstrates knowledge of government operation, public sector financial management, risk management and internal controls.

(7) A person qualifies to be appointed as a member of the audit committee, if that person—

- (a) is a holder of at least a first degree from a recognized university in Kenya;
- (b) has a good understanding of the objects, principles and functions of the entity to which they are to be appointed;
- (c) does not hold a political office; and
- (d) demonstrates knowledge of government operation, financial reporting or auditing, public sector financial management, risk management and internal controls.

(8) The chairperson or members appointed to the audit committee shall not be past or present employees of the entity, and shall not have served as an employee or agent of a business organisation which has carried out any business with the concerned entity in the last two years.

(9) The chairperson of an audit committee can serve as a member of not more than two other audit committees at the same time.

(10) The members of an audit committee can serve in not more than two audit committees at the same time.

**10.** Regulation 175 of the principal Regulation is amended by adding the following new sub paragraphs immediately after sub paragraph (b)—

- (a) exercise independent oversight and advisory with regard to their responsibilities for issues of risk, control and governance and associated assurance but the responsibility over the management of risk, control and governance processes remains with the management of the concerned entity;
- (b) spearhead the performance assessment of the head of internal audit.

**11.** Regulation 178 of the principal is amended—

- (a) in paragraph (1) by deleting sub paragraph (h);
- (b) by adding the following new paragraph immediately after paragraph (2)—

(3) Where a vacancy arises in the audit committee, the vacancy shall be filled within ninety days.

**12.** Regulation 179 of the principal is amended by deleting paragraph (5) and substituting therefor the following new paragraph—

(5) The quorum for the meetings of the committee shall be two-thirds of the membership.

**13.** Regulation 181 of the principal is amended by adding the following new paragraphs immediately after paragraph (2)—

(3) The accounting officer shall establish a distinct budget line for the audit committee.

(4) The head of internal audit function shall be designated as an Authority to Incur Expenditure holder in respect of the approved internal audit and audit committee budget, subject to applicable financial controls.

Made on ....., 2026.

**JOHN MBADI NG'ONGO,**  
*Cabinet Secretary for the National Treasury.*