Every academic year, the Government of Kenya (GoK) issues fees guidelines to be followed by the head teachers. The guidelines relate to how much schools are supposed to charge for specific purposes and how much they are to spend for specific vote heads. Head teachers, though they do not defy these guidelines openly, they charge extra levies indirectly. These fees guidelines and response by principals to them affect internal efficiency in public secondary schools. The purpose of this study was to carry out impact assessment of Government fees guidelines on internal efficiency in public secondary schools in Mbitini Division, Nzaui District, Kenya. Impact assessment was made on two aspects of internal efficiency; flow of students through the schools identifying drop-out rates, repetition rates, retention rates as well as completion rates. The other aspect of internal efficiency was the quality of graduates in terms of cognitive achievements. This was measured by performance at the Kenya Certificate of Secondary Education (KCSE) Examinations. The study was based in Mbitini Division of Nzaui District. Nzaui District is in Eastern Province. The nearest town is Sultan Hamud some 200 Kilometres from Nairobi on the Nairobi - Mombasa Highway. The study has employed descriptive survey design. There are 17 secondary schools in the division hence 17 principals, 17 chairpersons of Board of Governors (BOG) and 17 Chairpersons of Parents Teachers Associations (PTA). In addition there is a District Schools Auditor (DSA). All these made the target population of 52 respondents. In this study, 8 (47.1%) schools were selected randomly. In each of the selected schools, the principal was requested to respond to relevant questionnaire items. The BOG and PTA chairpersons were interviewed. In addition, the DSA was requested to respond to relevant questionnaire items. The sample size was 25 respondents. This is approximately 48.07% of the target population. The researcher visited the sampled secondary schools and administered the questionnaires to the principals. The researcher then collected the questionnaires at a later date as agreed with the principals. The researcher delivered on the same day the interview schedules for PTA/BOG to the principals and requested them to assist him in booking appointments with BOG and PTA chairpersons. The principals contacted the researcher by mobile phones once the interview appointments with the respondents were confirmed. In addition the researcher supplied the DSA with a questionnaire which was collected on a later date as agreed. The obtained data was analyzed using descriptive statistics and then presented in tables showing frequencies and percentages. Analyzed data revealed improvement in quantitative aspect of internal efficiency since 2003. This is the year free primary education was declared hence increased demand for the next tier of education. Between 2003 - 2007, enrollment in the Division increased by 75%. However, in qualitative terms, the study revealed that the average mean grade was D+ for the years between 2003 - 2007. This was far below C+, the mean grade for university admission. The study concludes that fees guidelines have a direct impact on internal efficiency of secondary schools. What need to be done is to adopt a more participatory approach in designing them, which include BOG and PTA views. Recommendations are made for further research in chapter five.