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REPUBLIC OF KENYA



THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

PAPERS LAID	
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Clerk of the Senate/secretary, PSC
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REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF KISHI COUNTY WATER COMPANY, MUNICIPALITY, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/25 (1st JULY, 2024 TO 30th JUNE, 2025)

SECTOR	NO.	ENTITY
WATER COMPANY	1	GUSHI WATER AND SANITATION COMPANY LIMITED (GWASCO/KWASCO)
MUNICIPALITY	1	KISHI MUNICIPALITY
HOSPITALS	6	ETAGO SUB-COUNTY HOSPITAL
		GESUSU SUB-COUNTY REFERRAL HOSPITAL
		GUCHA SUB COUNTY REFERRAL HOSPITAL
		IBACHO SUB-COUNTY HOSPITAL
		IBENO SUB-COUNTY REFERRAL HOSPITAL
		IRANDA SUB COUNTY REFERRAL HOSPITAL
FUNDS	8	KISHI COUNTY HEALTH FACILITIES IMPROVEMENT FUND
		KISHI DEMONSTRATION FARMS FUND
		KISHI COUNTY EMERGENCY FUND
		KISHI MORTGAGE & CAR LOAN (EXECUTIVE) FUND
		KISHI COUNTY CLIMATE CHANGE FUND
		KISHI COUNTY BURSARY FUND
		KISHI COUNTY COVID-19 EMERGENCY FUND
		KISHI COUNTY VETERINARY SERVICES DEVELOPMENT

MARCH, 2026

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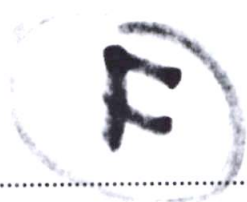


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ACRONYMS/ABBREVIATION

CBK	Central Bank of Kenya
CECM	County Executive Committee Member
COB	Controller of Budget
COG	Council of Governors
DPP	Director of Public Prosecution
EACC	Ethics and Anti-Corruption Commission
FIF	Facilities Improvement Financing Act
GAAP	Generally Accepted Accounting Principles
GWASCO	Gusii Water and Sanitation Company
IFMIS	Integrated Financial Management Information System
IGRTC	Intergovernmental Relation Technical Committee
IHMS	Integrated Hospital Management System
IMS	Inventory Management System
KEMSA	Kenya Medical Supplies Authority
KRA	Kenya Revenue Authority
KWASCO	Kisii Water and Sanitation Company
NHIF	National Health Insurance Fund
NRW	Non-Revenue Water
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
RWWDA	Regional Water Works Development Agency
SHA	Social Health Authority
SO	Standing Orders
TNT	The National Treasury
UHC	Universal Health Coverage
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WSP	Water Service Provider

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion, which is the most desirable, in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the organisation's management limits the scope of audit procedures.
3. **Adverse opinion:** This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole, and the auditor indicates that the financial statements are not presented fairly.
4. **Disclaimer:** This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation, and inadequate cooperation by the organizational management in the audit process.
5. **Accountability** – This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.
6. **Non-Revenue Water:** Non-Revenue Water refers to the difference between the amount of water put into the distribution system and the amount of water billed/unbilled as authorized consumption. It is usually attributed to physical losses such as leaks, bursts, and overflows in the existing, old, and dilapidated water supply network, and to commercial losses due to metering anomalies and illegal connections.
7. **Going Concern:** This is an accounting principle used for a company that is financially stable enough to meet its obligations and continue its business for the foreseeable future.

PREFACE

Pursuant to Article 96(3) of the Constitution, the Senate exercises oversight over national revenue allocated to the county governments. The Select Committee on County Public Investments and Special Funds is established pursuant to Standing Order No. 194 of the Senate Standing Orders and is mandated to –

- a) examine the reports and accounts of county public investments; and
- b) examine the reports, if any, of the Auditor-General on the county public investments.

Pursuant to the provisions of Article 229(4) of the Constitution of Kenya, 2010, the Auditor-General is required to audit and report on the accounts of all national and county government entities, including water companies, municipalities, hospitals and the county funds, within six months after the end of each financial year.

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Kisii County water company, Municipality, Hospitals and funds for the Financial Year 2024/2025. The entities considered include Gusii Water and Sanitation Company Limited (GWASCO/KWASCO); Kisii Municipality; six (6) hospitals- Etago Sub-County Hospital, Gesusu Sub-County Referral Hospital, Gucha Sub County Referral Hospital, Ibacho Sub-County Hospital, Ibeno Sub-County Referral Hospital, Iranda Sub County Referral Hospital, seven (7) funds- Kisii County Emergency Fund, Kisii Mortgage & Car Loan (executive), Kisii County Climate Change Fund, Kisii County Bursary Fund, Kisii County Covid-19 Emergency Fund, Kisii County Veterinary Services Development Fund and Kisii Demonstration Farms Fund.

The Committee received written management responses to the queries raised in the reports of the Auditor-General on the financial statement of the afore-mentioned entities for the financial year 2024/2025.

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

- | | |
|---|---------------------------|
| 1. Sen. Godfrey Atieno Osotsi, CBS, MP. | - Chairperson |
| 2. Sen. Eddy Gicheru Oketch, MP. | - Vice-Chairperson |
| 3. Sen. Agnes Kavindu Muthama, MP | - Member |
| 4. Sen. William Kipkemoi Kisang, CBS, MP. | - Member |
| 5. Sen. Peris Pesi Tobiko, CBS, MP | - Member |
| 6. Sen. Beth Kalunda Syengo, MP | - Member |
| 7. Sen. George Mungai Mbugua, MP | - Member |
| 8. Sen. Raphael Chimera Mwinzangu, MP. | - Member |
| 9. Sen. Hamida Ali Kibwana, MP | - Member |

COMMITTEE SECRETARIAT

- | | |
|------------------------------|---------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Erick Njogu | - Clerk Assistant II |
| 3. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 4. Mr. Khatib Omar | - Clerk Assistant III |
| 5. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 6. Mr. Jeremy Chabari | - Legal Counsel |
| 7. Mr. Erick Ososi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana Kahindi | - Research Officer III |
| 11. Ms. Janice Lekuton | - Research Officer III |
| 12. Ms. Hamun Abdille | - Research Officer III |
| 13. Mr. David Munene | - Research Officer III |
| 14. Mr. Josphat Ng'eno | - Research Officer III |
| 15. Mr. Victor Kimani | - Media Relations Officer |
| 16. Mr. Fredick Okola | - Audio Officer |
| | - Serjeant-At-Arms |

ESTABLISHMENT OF THE COMMITTEE

The Committee was first constituted on 19th October, 2022, pursuant to Standing Order No. 194 of the Senate Standing Orders. The County Public Investments and Special Funds Committee (CPISFC) was split from the broad County Public Accounts and Investments Committee (CPAIC) in the 12th Parliament for the purpose of clearing audit backlog and to consider many audit thematic areas which had not been subjected to Parliamentary scrutiny since the inception of devolution in the year 2013.

The County Public Investments and Special Funds Committee is one of the financial audit committees through which the Senate, under the provisions of Article 96(3) of the Constitution, conducts ex-post scrutiny on Public Investments and Special Funds in Counties.

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited accounts of Kisii County water company, municipality and health facilities improvement fund for the Financial Year 2024/25 (1st July, 2024 to 30th June 2025) as the primary documents for investigations. The Committee invited the Governor of Kisii County as the Chief Executive Officer pursuant to Article 179(4) to respond to the audit queries raised in the reports under consideration.

The Committee received written responses from the Hon. Simba Arati, Governor Kisii County.

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on three (3) entities in Kisii County for the Financial Year 2024/25. The entities covered are: one (1) water company – Gusii Water and Sanitation Company Limited (GWASCO/KWASCO); one (1) Municipality – Kisii Municipality; and one (1) Health Facilities Improvement Fund – Kisii County Health Facilities Improvement Fund.

The water company (GWASCO/KWASCO) received a Qualified Opinion, the Municipality received a Qualified Opinion, while the Health Facilities Improvement Fund received an Adverse Opinion from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: material uncertainty in relation to going concern arising from accumulated losses and negative working capital; high non-revenue water levels exceeding the regulatory benchmark of 25%; use of expired tariffs; non-remittance of statutory deductions; unresolved prior year audit matters; budgetary control weaknesses; non-compliance with fiscal responsibility principles on wage bill; non-compliance with financial reporting framework; inaccuracies in financial statements; failure to operationalize the Municipality Charter; irregular composition of the Municipality Board; failure to achieve health fund objectives; weak internal controls and governance; and absence of functional audit committees and risk management strategies.

This report documents the observations and recommendations of the Committee on each audit query as raised by the Auditor-General.

REPORT STRUCTURE

THE PREFACE DETAILS the place of Committees in the Constitution, Committee establishment and mandate, Committee membership and formation, the niche of the Committee in the Senate, the executive summary, key observations and recommendations and acknowledgement.

CHAPTER ONE is a record of the audit queries raised in the Auditor-General's report on Kisii County Water Company (GWASCO/KWASCO) for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Kisii Municipality for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Hospitals in Kisii County (Etago Sub-County Hospital, Gesusu Sub-County Referral Hospital, Gucha Sub County Referral Hospital, Ibacho Sub-County Hospital, Ibeno Sub-County Referral Hospital and Iranda Sub County Referral Hospital) for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Funds in Kisii County (Kisii County Emergency Fund, Kisii Mortgage & Car Loan (executive), Kisii County Climate Change Fund, Kisii County Bursary Fund, Kisii County Covid-19 Emergency Fund, Kisii County Veterinary Services Development Fund, Kisii Demonstration Farms Fund) for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS FOR WATER COMPANY

The Committee made the following general observations regarding the operations and financial management of the Kisii County Water Company (GWASCO/KWASCO) under review: -

1. **Non-Revenue Water (NRW)** – The Committee observed that the water company recorded a Non-Revenue Water level of 62%, which significantly exceeded the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). This was largely attributed to physical losses from aged and dilapidated infrastructure, commercial losses from billing inaccuracies, and illegal connections.
2. **Material Uncertainty Regarding Going Concern** – The Committee noted that GWASCO/KWASCO reported negative working capital during the review period, with current liabilities of Kshs. 276,737,492 exceeding current assets of Kshs. 177,684,721 by Kshs. 99,052,771, rendering it unable to meet short-term financial obligations as they fall due. The Company recorded a loss of Kshs. 22,227,752 during the financial year under review. Its continued operation is heavily reliant on financial support from the County Government, raising material doubts about its long-term financial sustainability.
3. **Use of Expired Tariffs** – The Committee observed that the water company continued to bill customers using a tariff approved by the Water Services Regulatory Board (WASREB) through Gazette Notice No. 4631 dated 18th May 2018 for the financial years 2017/2018 to 2020/2021, which had since expired and was not renewed. This raises questions on the legality and regularity of the company's revenue collection.
4. **Non-Compliance with Ethnic Inclusivity Requirements** – The Committee observed that 93% of the Company's staff were from one community, in violation of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires equitable diversity in public sector staffing.
5. **Weaknesses in Accounting System** – The Committee observed that the Company operated an unreliable QuickBooks accounting system, with system-generated reports requiring extensive manual adjustments through Excel worksheets, compromising the reliability and integrity of financial records.
6. **Long Outstanding Retirement Benefits Obligations** – The Committee observed that the Company's retirement benefits obligations stood at Kshs. 87,660,393, having increased by 130% from the prior year, with some obligations accruing from as far back as 2016. Management had not demonstrated significant steps towards settling these obligations, in breach of the Retirement Benefits Act, 1997.

GENERAL RECOMMENDATIONS FOR WATER COMPANY

The Committee makes the following recommendations to address the observed deficiencies and enhance the performance, compliance, and sustainability of the Kisii County Water Company: -

1. **Mitigation of Non-Revenue Water** – The Governor ensures the Board of Directors and Accounting Officers institute comprehensive measures to reduce Non-Revenue Water, addressing both physical and commercial losses. These measures should include installation of smart meters to ensure accurate billing, rehabilitation of aged infrastructure, intensified leak detection and repair programs, and enforcement mechanisms to curb illegal connections. Management should disclose the proportional breakdown of physical and commercial losses, expressed as percentages, in periodic reports.
2. **Strengthening Financial Sustainability** – The Board, Accounting Officers and the County Government should put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. The Board should indicate if financial support is a conditional grant or donation in its books of account. Further, the County Governor through the County Executive Committee Member for water should monitor the financial operations of the water company pursuant to Section 184 of the Public Finance Management Act.
3. **Enhancement of Financial Reporting** – The Governor ensures the Board and Accounting Officers implement proper financial reporting practices in strict compliance with the prescribed IPSAS templates, including ensuring the Statement of Comparison of Budget and Actual Amounts is prepared on cash basis as prescribed. Adherence to the provisions of the Accountants Act, Cap. 531, is mandatory.
4. **Strengthening the Accounting System** – The Board should ensure the Company acquires and fully operationalizes an integrated and reliable accounting system. The Company should phase out reliance on manual Excel-based adjustments and invest in an automated end-to-end financial management system that ensures integrity, accuracy, and reliability of financial records.
5. **Settlement of Long Outstanding Retirement Benefits Obligations** – The Governor ensures the Board and management fully implement the structured repayment framework for retirement benefits obligations, remitting 100% of current monthly deductions plus clearing arrears progressively. A comprehensive status report should be submitted to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report.

GENERAL OBSERVATIONS FOR MUNICIPALITY

The Committee made the following general observations regarding the operations and financial management of Kisii Municipality under review: -

1. **Going Concern** – The Committee observed that the Municipality recorded an operational deficit of Kshs. 63,692,805 and an accumulated deficit of Kshs. 57,572,346, raising concerns about the sustainability of its operations and service delivery capacity.
2. **Weak Budgetary Control and Performance** – The Committee observed that the Municipality under-realized its budgeted receipts by Kshs. 149,754,786 or 35% of the budget, while simultaneously over-expending on its budget by Kshs. 93,855,086 or 66%, indicating poor budgetary planning and financial control.
3. **Failure to Operationalize the Municipality Charter** – The Committee observed that notwithstanding the Gazette Notice No. 9071 of 17 May 2024 providing for transfer of functions to the Municipality Board, the Municipality had not been fully operationalized as an autonomous entity. Revenue collection continued to be managed by the County Executive, and the Municipality Board had not fully assumed control of its financial management functions.
4. **Incomplete Project Implementation** – The Committee observed that of the nineteen (19) planned projects valued at Kshs. 222,413,692, the implementation status of several projects remained outstanding, with the Urban Development Grant worth Kshs. 95,993,018 not yet initiated, affecting service delivery.

GENERAL RECOMMENDATIONS FOR MUNICIPALITY

The Committee makes the following general recommendations for Kisii Municipality: -

1. **Addressing Going Concern** – The Governor should ensure that the Municipality develops and implements a comprehensive financial recovery plan to reverse the trend of accumulation of operational deficits. The plan should outline specific revenue enhancement strategies and expenditure control measures to ensure continued service delivery.
2. **Regularization of Staff Cost Expenditure** – The Governor should ensure that the Accounting Officer and Board institute proper controls over staff establishment and payroll management to ensure all staff cost expenditures are within Board-approved limits, properly supported and accurately reported in financial statements.
3. **Prudent Budgetary Planning** – The Governor ensures the Accounting Officers prepare realistic budgets and revenue projections aligned to priority areas and focused on improving service delivery to residents of Kisii County. The Municipality should establish effective budget monitoring mechanisms to avert over-expenditure and under-realization of revenues.

4. **Full Operationalization of the Municipality Charter** – The Governor should take immediate steps to fully implement Gazette Notice No. 9071 of 17 May 2024 and the provisions of the Kisii Municipality Charter. This should include transfer of revenue collection functions, project implementation, and financial management functions to the Municipality Board, to ensure autonomy and effectiveness of service delivery.
5. **Expediting Project Implementation** – The Governor should ensure that the Municipality Board develops a comprehensive project implementation schedule and takes urgent steps to implement all planned projects, including the Urban Development Grant projects, and file a status report with the Auditor-General for verification.

GENERAL OBSERVATIONS FOR HEALTH FACILITIES IMPROVEMENT FUND

The Committee made the following general observations regarding the operations and financial management of the Kisii County Health Facilities Improvement Fund: -

1. **Inaccuracies in Financial Statements** – The Committee observed material variances and inaccuracies in the financial statements, including an unreconciled variance of Kshs. 8,605,654 in the accumulated surplus balance, receivables variance of Kshs. 61,265,409, and payables variance of Kshs. 66,435,677. The accuracy and completeness of the financial statements could not be confirmed.
2. **Weak Governance and Internal Controls** – The Committee observed significant weaknesses in the governance of the Fund, including the lapse of the Board's term without replacement, absence of a functional Audit Committee, absence of approved Internal Audit workplan and charter, and lack of fraud and risk management policies.
3. **Unsupported Financial Balances** – The Committee observed that several financial balances, including cash and cash equivalents of Kshs. 7,026,326 and receivables of Kshs. 76,493,436, were not supported by adequate documentation, while trade and other payables of Kshs. 67,688,802 remained unsettled for over five years.

GENERAL RECOMMENDATIONS FOR HEALTH FACILITIES IMPROVEMENT FUND

The Committee recommends that-

1. **Accuracy of Financial Statements** – The Governor ensures the Accounting Officer undertakes a comprehensive reconciliation exercise to address all identified variances and inaccuracies in the financial statements, and incorporates prior year adjustments in the subsequent financial year's statements. The National Treasury should enhance awareness and training on changes made to accounting standards to all public officers handling financial matters in Counties.
2. **Strengthening Governance and Internal Controls** – The Governor should ensure that a new and fully constituted Board of the Fund is appointed within 60 days of the adoption of this report. Further, a functional Audit Committee should be established in compliance with Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015. The Fund management should develop and implement an approved Internal Audit workplan, Internal Audit charter, fraud management policy, and risk management strategy.
3. **Standardization of Revenue Management** – The Governor ensures the Fund management develops and implements a standardized county health services tariff aligned with national policy guidelines, and enforces uniform revenue remittance timelines across all health facilities. The Auditor-General should monitor compliance and provide a status update in the subsequent audit cycle.

ACKNOWLEDGEMENTS

The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in considering the audit reports. The Committee further wishes to express its appreciation to the able secretariat for their support and services in facilitating the Members and the Committee in its operations.

On behalf of the County Public Investments and Special Funds Committee, it is my pleasant duty and privilege to table this report on the floor of the Senate and commend it to the House for debate and adoption pursuant to the provision of Standing Order No. 223(6) of the Senate Standing Orders.


SIGNED:


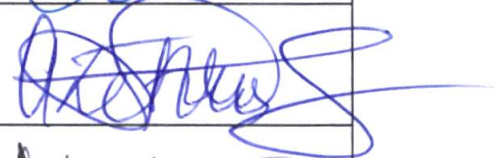
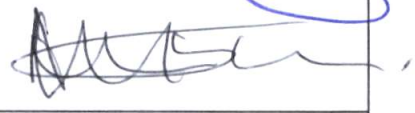
DATE: 30/03/2026

HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP
CHAIRPERSON

ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF SIXTEEN COUNTY ENTITIES FOR KISII COUNTY FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
WATER COMPANY	1	GUSII WATER AND SANITATION COMPANY LIMITED (GWASCO/KWASCO)
MUNICIPALITY	1	KISII MUNICIPALITY
HOSPITALS	6	ETAGO SUB-COUNTY HOSPITAL
		GESUSU SUB-COUNTY REFERRAL HOSPITAL
		GUCHA SUB COUNTY REFERRAL HOSPITAL
		IBACHO SUB-COUNTY HOSPITAL
		IBENO SUB-COUNTY REFERRAL HOSPITAL
		IRANDA SUB COUNTY REFERRAL HOSPITAL
FUNDS	8	KISII COUNTY HEALTH FACILITIES IMPROVEMENT FUND
		FUND, KISII DEMONSTRATION FARMS FUND
		KISII COUNTY EMERGENCY FUND
		KISII MORTGAGE & CAR LOAN (EXECUTIVE) FUND
		KISII COUNTY CLIMATE CHANGE FUND
		KISII COUNTY BURSARY FUND
		KISII COUNTY COVID-19 EMERGENCY FUND
		KISII COUNTY VETERINARY SERVICES DEVELOPMENT

We, the undersigned Members of the Select Committee on County Public Investments and Special Funds, do hereby append our signatures to adopt this report.

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP (<i>Chairperson</i>)	
2.	Sen. Eddy Gicheru Oketch, MP (<i>Vice – Chairperson</i>)	
3.	Sen. Agnes Kavindu Muthama, MP	
4.	Sen. William Kipkemoi Kisang, CBS, MP.	
5.	Sen. Peris Pesi Tobiko, CBS, MP	
6.	Sen. Beth Kalunda Syengo, MP	
7.	Sen. George Mungai Mbugua, MP	
8.	Sen. Raphael Chimera Mwinzangu, MP	
9.	Sen. Hamida Ali Kibwana, MP	

CHAPTER ONE: WATER COMPANY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GUSII WATER AND SANITATION COMPANY LIMITED (GWASCO/KWASCO) FOR THE FINANCIAL YEAR 2024/25

The Committee received written management responses to the following queries raised in the reports of the Auditor-General on the financial statement for Gusii Water and Sanitation Company Limited for the Financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Gusii Water and Sanitation Company Limited (GWASCO/KWASCO) for the financial year on the following basis—

1. Variances between Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts

Receipt and payment amounts reflected in the statement of comparison of budget and actual amounts differ with corresponding amounts shown in the statement of cash flows, resulting in unreconciled variances, despite the fact that both financial statements are required to be prepared on cash basis. The variances noted were as follows:

Description	Statement of Cash Flows (Kshs)	Statement of Comparison of Budget and Actual Amounts (Kshs)	Variance (Kshs)
Operating receipts	271,175,127	267,197,046	3,978,081
Other income	11,486,600	0	11,486,600-
Staff costs	54,658,145	104,212,898	(49,554,753)
General and operations expenses	134,180,694	158,622,554	(24,441,860)

Management has admitted that the statement of comparison of budget and actual amounts was prepared on accrual basis, contrary to the requirements of the prescribed template.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Response

The management prepared the budget using the accrual basis. By the time of issuance of the reporting template on 30 June 2025 and subsequent preparation of financial statements, the variance arose due to the two bases of presentation. The variance between the accrual and the prescribed template issued was due to customer deposits and prior year revenues received, and the accrued expenses, which could not be captured in cash basis.

Committee Observations

The Committee observed that the Company prepared its Statement of Comparison of Budget and Actual Amounts on accrual basis instead of the cash basis as required by the prescribed template, resulting in material unreconciled variances.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Accounting Officer prepares all financial statements strictly in compliance with the cash basis IPSAS template prescribed by the Public Sector Accounting Standards Board, and that all variances between financial statements are reconciled and explained; and**
- ii. **the Accounting Officer should take appropriate administrative action on finance officers responsible for the preparation of financial statements in non-compliance with the prescribed template, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

2. Bank and Cash Balances

The statement of financial position reflected bank and cash balances of Kshs. 49,866,743 as disclosed in Note 19 to the financial statements. The following unsatisfactory matters were noted during audit of the balance:

i. Inadequately Supported Bank Balances

The balance of Kshs. 49,866,743 includes Kshs. 707,925 held in a Kenya Commercial Bank account, which differs with the cash book balance of Kshs. 583,785, resulting in an unexplained variance of Kshs. 124,140. Additionally, Kshs. 1,699,478 held in a Family Bank account had key reconciling items not adequately disclosed in the reconciliation statement, including cleared cheques of Kshs. 1,061,340 and dishonoured cheques of Kshs. 114,000 without explanations. Two other Family Bank accounts with balances of Kshs. 24,996,396 and Kshs. 3,861,143, totalling Kshs. 28,857,539, and a fixed deposit of Kshs. 13,000,000 were not supported by cash books and bank reconciliation statements at the time of audit.

In the circumstances, the accuracy and completeness of the bank and cash balances of Kshs. 49,866,743 could not be confirmed.

Management Response

Management acknowledges the observations made by the Office of the Auditor-General. The variance of Kshs. 124,140 arose from an error in the entry of the cash book opening balance for the month of June 2025. The error has since been discovered, corrected, and the variance reconciled. The dishonoured cheques totalling Kshs. 114,000 have been fully recovered in subsequent periods. The documents for the two-Family Bank accounts and the fixed deposit account have since been provided for audit verification.

ii. Weaknesses in Recording and Management of Cash Transactions

Review of internal controls over cash and cash equivalents revealed the following weaknesses: cash book entries were incomplete and did not include key details like entry date, receipt or payment voucher number/reference, payee, and cheque number; no evidence was provided that copies of bank reconciliation statements were sent to the relevant authorities on a timely basis; no system-generated cash books and ledgers were provided for audit review; the Company applied a standing imprest system in some cases without evidence of approved cash floats; and the Company's cash books were manual (Excel-prepared), hence prone to errors, inaccuracies and possible manipulation.

In the circumstances, the accuracy and completeness of the bank and cash balances of Kshs. 49,866,743, and the effectiveness of internal controls over bank and cash transactions could not be confirmed.

Management Response

Management confirmed that the current cash book has been updated to capture key details. The Company has initiated the process of ensuring bank reconciliation statements are sent to relevant authorities on a timely basis. All cash floats are approved and reconciliations are done and counterchecked to ensure reliability and accuracy.

Committee Observations

The Committee observed that-

- i. The bank and cash balances of Kshs. 49,866,743 were inadequately supported, with unexplained variances and missing reconciliation statements for several accounts.
- ii. The Company maintained manual Excel-based cash books prone to errors and inaccuracies, and failed to maintain adequate internal controls over cash transactions.

Committee Recommendations

The Committee recommends that—

- i. **The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Governor ensures the Accounting Officer implements a robust accounting system with proper cash management controls, including system-generated cash books and ledgers, and ensures all bank reconciliation statements are submitted to the relevant authorities within the stipulated timeframes;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- v. **the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**
- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors to reflect the true financial position of the company.**

3. Material Uncertainty in Relation to Going Concern

Note 2 to the financial statements indicates that the Company made a loss of Kshs. 22,227,752 during the year under review and its current liabilities of Kshs. 276,737,492 as at 30 June 2025 exceeded the current assets of Kshs. 177,684,721, resulting in negative capital of Kshs. 99,052,771. These conditions indicate the existence of a material uncertainty which may lead to significant doubt on the Company's ability to continue as a going concern.

In the circumstances, the Company is technically insolvent, and the financial statements have been prepared on a going concern assumption based on continued support from the County Government and its creditors.

Management Response

During the financial year 2024-2025, the Company made a loss of Kshs. 22,227,752. However, there was an improvement from the previous year, which was Kshs. 66,179,696. The Company undertook measures to reduce losses through improved revenue collection and expense management. With declustering, the Company expects the financial position to improve as the same measures are applied. The Company anticipates receiving support from the shareholder to ease the outstanding liability burden.

Committee Observations

The Committee observed that the Company is technically insolvent with negative working capital of Kshs. 99,052,771, and the Company's continued viability is dependent on continued financial support from the County Government of Kisii.

Committee Recommendations

The Committee recommends that-

- i. the Governor should take keen interest in the management and operations of the water company in line with Article 179 (4) of the Constitution;**
- ii. the Accounting Officer should prepare and submit quarterly reports to the County Treasury in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap. 412A on penalties for offences shall apply;**
- iii. the County Executive Committee Member in charge of water should take full responsibility for monitoring the financial performance of the county corporation in line with section 184 of the Public Finance Management Act, 2012 and regularly report to the Governor through the County Executive Committee in line with Article 179 (6) of the Constitution;**
- iv. the County Treasury should undertake annual reporting on County Corporation, including an assessment of the commercial viability of the company in line with the standards set by the Water Services Regulatory Board under section 77(2) of the Water Act, 2016; and**
- v. the Accounting Officer should, within 60 days of the adoption of this report, put in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability. Additionally, the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June 2025 reflects budgeted receipts of Kshs. 375,732,571 and actual receipts of Kshs. 268,855,376, resulting in underfunding of Kshs. 106,877,195 or 28% of the budget. In addition, the Company incurred capital expenditure of Kshs. 2,280,230 against a budget of Kshs. 58,099,890, resulting in under-expenditure of Kshs. 55,819,660 or 96%.

The underfunding and under-expenditure affected planned activities and may have negatively impacted supply of water to the residents of Kisii and Nyamira Counties.

Management Response

In the year under review, the Company budgeted Kshs. 375,732,571 out of which water sales amounted to Kshs. 259,012,571 and other sources including a grant of Kshs. 80,000,000 and expected debt recovery revenue of Kshs. 36,720,000. The Company achieved water sales revenue by surpassing the budgeted amount billed at Kshs. 267,179,046 (103%). However, the grant and other revenues were not achieved, resulting in a deficit of Kshs. 115,043,670, making it impossible to realize the capital budget expenditure of Kshs. 58,099,890.

Committee Observations

The Committee observed that there was an underfunding of Kshs. 106,877,195 or 28% of the budget and under-expenditure on capital projects of Kshs. 55,819,660 or 96%, significantly affecting the company's ability to improve water supply infrastructure.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Board and Accounting Officers prepare realistic budgets and revenue projections, avoiding inclusion of uncertain grant revenues in the budget without confirmed disbursement letters, to prevent issues of revenue shortfalls that negatively impact service delivery; and
- ii. the Governor ensures the Board develops a phased capital investment plan and submits evidence of its implementation to the Auditor-General for verification in the subsequent audit cycle.

OTHER MATTER

1. Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised. Review during the audit of 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Accuracy of Customer Deposits
2	2023/2024	Accuracy of Cash and Cash Equivalents
3	2023/2024	Budgetary Control and Performance
4	2023/2024	Material Uncertainty in Relation to Going Concern
5	2023/2024	Non-Revenue Water
6	2023/2024	Long Outstanding Audit Fees
7	2023/2024	Failure to Comply with Fiscal Responsibility Principles on Wage Bill
8	2023/2024	Long Outstanding Retirement Benefit Obligations
9	2023/2024	Lack of Approved Tariffs

Management Response

As a new Company, KWASCO has started addressing the prior year matters in so far as they affect the new company. These issues have been tabled before the Board as well as the Senate recommendations for the year ended 30 June 2024, and the Company has started addressing them.

Committee Observations

The Committee observed that nine (9) prior year audit matters from the Financial Year 2023/2024 remained unresolved, including fundamental issues on going concern, non-revenue water, and lack of approved tariffs that continue to affect the Company's performance.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(l) of the Public Finance Management Act, Cap.412A, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Governor ensures that the Accounting Officer submits a comprehensive status report on all mitigation measures taken to resolve all prior year matters, to the Senate and copies the Auditor-General for verification within 90 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Use of Expired Tariff

The statement of profit or loss and other comprehensive income reflects other income of Kshs. 11,486,600 as disclosed in Note 8. Review of records revealed that the water tariff used in billing was approved through Gazette Notice No. 4631 dated 18th May 2018 for the financial years 2017/2018 to 2020/2021 and was not renewed by the Water Services Regulatory Board (WASREB) as required. In the circumstances, the legality and regularity of revenue collected using the expired tariff could not be confirmed, and Management was in breach of the law.

Management Response

Management acknowledged that the tariff was approved by WASREB and gazetted in 2018. Management confirmed it has undertaken and finalized all the required processes in tariff review and is now awaiting further direction from the regulator WASREB.

Committee Observations

The Committee observed that the Company has been billing customers using a tariff approved in 2018 and valid only for the period 2017/2018 to 2020/2021, which had expired, raising concerns about the legality of revenue collection.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Board and management engage WASREB immediately to expedite the review and gazettement of a new approved tariff within 60 days of the adoption of this report; and**
- ii. the Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.**

2. Long Outstanding Retirement Benefits Obligations

The statement of financial position as disclosed in Note 24 to the financial statements reflects retirement benefits obligations balance of Kshs. 87,660,393, which increased by Kshs. 49,554,753 or 130% from the previous year's balance of Kshs. 38,105,640. Analysis of the data provided for audit revealed that some of the obligations had accrued from 2016 and management had not outlined significant steps taken to ensure the obligations are cleared. This is contrary to Section 53A of the Retirement Benefits Act, 1997, which requires employers who make deductions from employee emoluments to remit the deductions to the scheme within fifteen days of the deduction. In the circumstances, Management was in breach of the law.

Management Response

Management acknowledges the Auditor's observation. Since the Company was declustered, as the new KWASCO management, steps have been taken to restore compliance and progressively clear the Company's share of arrears. The new management has implemented a structured repayment framework effective 1 July 2025, under which the Company remits 100% of current month deductions and at least two months of arrears in every payment cycle. Payments totalling Kshs. 3,891,533.02 have been made so far, including remittances to the County Pension Fund and National Water Pension Scheme.

Committee Observations

The Committee observed that the Company's retirement benefits obligations increased by 130% to Kshs. 87,660,393, with some obligations dating back to 2016, indicating a long-standing failure to remit statutory deductions in breach of the Retirement Benefits Act, 1997.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Board and management fully implement the structured repayment framework for retirement benefits obligations and provide a comprehensive status report to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report; and**
- ii. **the Accounting Officer ensures 100% of current deductions are remitted monthly and the Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.**

3. Long Outstanding Trade and Other Payables

The statement of financial position as disclosed in Note 26 to the financial statements reflects a balance of Kshs. 91,635,626 in respect of trade and other payables. Included in the balance are trade payables amounting to Kshs. 82,936,309 which had been outstanding for over one year. Further, review of records revealed that the long outstanding trade payables balance includes accrued audit fees of Kshs. 5,809,200 payable to the Office of the Auditor-General. This is contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, which requires Accounting Officers to satisfy themselves that sufficient funds are available to meet obligations of contracts before commencing procurement proceedings.

In the circumstances, Management was in breach of the law.

Management Response

The shareholders of GWASCO have since split. Nyamira County is operating NYAWASCO while Kisii is operating KWASCO since 1st July 2025. Prior to declustering, GWASCO paid Kshs. 300,000 vide cheque number 008298 dated 28 November 2024. As the new Company KWASCO, management has initiated engagements with the Auditor-

General on an acceptable flexible plan to enable the Company clear its share of the inherited debt.

Committee Observations

The Committee observed that the Company had long outstanding trade payables of Kshs. 82,936,309 that had been outstanding for over one year, including accrued audit fees of Kshs. 5,809,200 owed to the Office of the Auditor-General, indicating a persistent failure to meet financial obligations.

Committee Recommendations

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**
- ii. **the Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report; and**
- iii. **the Governor ensures that the County Executive Committee Member in charge of water continuously monitors the financial performance of the water company in line with section 184 of the Public Finance Management Act, 2012 and report on the same to the County Executive Committee, making recommendations on how the water company can improve its performance.**

4. Long Outstanding Audit Fees

The Company had long-outstanding audit fees owed to the Office of the Auditor-General which remained unpaid, contrary to the provisions of the Public Audit Act, Cap. 412B. Prior to declustering, GWASCO paid Kshs. 300,000 vide cheque number 008298 dated 28 November 2024. As the new Company KWASCO, management has initiated engagements with the Auditor-General on an acceptable flexible payment plan to clear the inherited share of the debt.

Management Response

Management has initiated consultations with the Auditor-General geared towards coming up with a schedule of a flexible payment plan to enable the Company clear its share of the inherited audit fee debt.

Committee Observations

The Committee observed that the Company has long-outstanding audit fees owed to the Office of the Auditor-General and that management has initiated engagements for a flexible payment plan.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Board and management finalize the payment plan for outstanding audit fees with the Auditor-General and begin implementation within 60 days of the adoption of this report; and**
- ii. the Auditor-General provides a status update on payment of the outstanding audit fees in the subsequent audit cycle.**

5. Non-compliance with the Law on Ethnic Diversity in Staffing

Review of employee records and details in the main payroll revealed that 93% of the staff in the Company were from one community, contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

In the circumstances, Management was in breach of the law.

Management Response

Effective 1st July 2025, KWASCO inherited staff as previously recruited by GWASCO. No additions have since been made into the new Company. Management undertakes to strictly comply with the law on ethnicity in any future recruitments.

Committee Observations

The Committee observed that 93% of the Company's staff are from one community, in clear violation of the ethnic diversity requirements under Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Board and County Government make deliberate and progressive efforts to comply with Section 7(1) and (2) of the National Cohesion and Integration Act and Section 65(1)(e) of the County Governments Act on diversity and ethnic inclusivity in all future recruitments; and**
- ii. the Board and County Government should establish a formal diversity policy. Compliance status shall be reviewed in subsequent audit periods.**

6. Non-compliance with Fiscal Responsibility Principles on Wage Bill

The statement of profit and loss and other comprehensive income reflects Kshs. 104,212,898 in respect to staff costs. This represents 39% of the total revenue of Kshs. 268,855,376, contrary to Section 25(1)(a) and (b) of the Public Finance Management

(County Governments) Regulations, 2015, which stipulates that county government entity expenditure on wages and benefits shall not exceed thirty-five percent (35%) of total revenue.

In the circumstances, Management was in breach of the law.

Management Response

Following the declustering of GWASCO, which resulted in staff sharing, KWASCO's wage bill has been reduced. Analysis of recent months shows October at 35%, November at 32%, and December at 30%, with an average wage bill of approximately 32.33% of revenue, which is within the statutory 35% limit. Management expects sustained compliance through enhanced revenue collection and continued staff optimization.

Committee Observations

The Committee observed that although the Company's staff costs represented 39% of total revenue for the year under review, management has provided evidence of recent months showing the wage bill within the statutory 35% limit following declustering.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer maintains the wage bill within the 35% statutory limit, with monthly monitoring and reporting to the Board; and**
- ii. the Company ensures progressive compliance with Section 3.9(9) of WASREB Corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of total revenue and submits a status report to the Auditor-General in the subsequent audit cycle.**

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Weaknesses in Accounting System

Review of the existing accounting system (QuickBooks) revealed that the system-generated ledgers, trial balances and other reports were unreliable and differed with the financial statements balances and their supporting schedules. The system-generated reports and records usually underwent data clean-up and editing manually through Excel worksheets to arrive at the financial statements balances and supporting schedules.

In the circumstances, the effectiveness and reliability of the accounting system could not be confirmed.

Management Response

Management acknowledges the observation regarding the unreliability of the accounting system. The Company operates separate systems for billing, finance, human resources and technical operations, which are not integrated. The Company has a projection of enhancing the accounting system through progressive automation to improve accuracy and reduce manual disintegrated reports.

Committee Observations

The Committee observed that the Company's QuickBooks accounting system was unreliable, with system-generated reports requiring manual adjustments, compromising the integrity of financial records.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Board develops a time-bound plan for the acquisition and implementation of an integrated financial management system that eliminates manual interventions, and submit the plan to the Senate and a copy to the Auditor-General within 90 days of the adoption of this report; and**
- ii. the Auditor-General monitors the progress of automation and provides a status update in the subsequent audit cycle.**

2. Non-Revenue Water (NRW) Losses

The Company produced 3,780,755 cubic metres (M³) of water out of which only 1,451,822 cubic metres (M³) were billed to customers, resulting in a balance of 2,328,933 cubic metres, or approximately 62% of the volume produced, representing Non-Revenue Water (NRW). This is 37% above the allowable set benchmark loss of 25% prescribed by the Water Services Regulatory Board Guidelines, 2010.

This NRW may have resulted in an estimated loss of sales of Kshs. 256,881,310 (at an average rate of Kshs. 110.3 per cubic metre), of which Kshs. 152,626,991 above the allowable benchmark was unacceptable.

The significant non-revenue water is an indication of inefficiency and ineffectiveness in the management of water as a public resource.

Management Response

Management acknowledges the high level of NRW. The new Company KWASCO continues to face inherited challenges associated with aged infrastructure, illegal connections, meter inaccuracies, and physical leakages. According to the WASREB Impact Report 2023/2024, the company had recorded continuous improvement in NRW. Measures being implemented include: intensified leak detection and repair programs, meter testing and replacement, enhanced customer metering and billing accuracy, and ongoing community sensitization and enforcement of disconnection for illegal connections.

Committee Observations

The Committee observed that the Company recorded Non-Revenue Water of 62%, which is 37 percentage points above the WASREB benchmark of 25%, representing a massive loss of water and revenue that significantly undermines the Company's financial sustainability and service delivery.

Committee Recommendations

The Committee recommends that-

- i. The Governor should ensure that the Accounting Officer monitors and oversees the implementation of measures to mitigate Non-Revenue Water (NRW), addressing both physical and commercial losses, and reports progress to the Auditor-General for review in the subsequent audit cycle.**
- ii. the Governor ensures that the Accounting Officer segregates NRW to both Physical or Commercial so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce the NRW levels; and**
- iii. the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**

CHAPTER TWO: MUNICIPALITY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KISII MUNICIPALITY FOR THE FINANCIAL YEAR 2024/25

The Committee received written management responses to the following queries raised in the reports of the Auditor-General on the financial statement for Kisii Municipality for the Financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Kisii Municipality for the period under review on the following basis—

1. Irregularities in Staff Cost Expenditure

The statement of financial performance as disclosed under Note 8 reflected staff cost expenditure of Kshs. 204,062,583. However, a review of records revealed that the Kisii Municipality staff establishment had not been approved by the Board. Further, although the Municipality Board had budgeted Kshs. 95,000,000 for staff costs, the County Executive Treasury incurred expenditure amounting to Kshs. 204,062,583 on behalf of the Municipality, resulting in an over-expenditure of Kshs. 109,062,583. In addition, no evidence was provided to confirm that the Board had approved the excess expenditure. Further, the staff cost expenditure was not supported with the Municipality payroll, schedules of monthly payments, bank statements, payment vouchers of the salaries paid, personal files and letters from the County Public Service Board indicating the officers mandated to serve in the Municipality.

In the circumstances, the accuracy, validity, and regularity of the staff cost expenditure of Kshs. 204,062,583 could not be confirmed.

Management Response

Management notes the audit observation. The staff establishment for Kisii Municipality has been duly approved by the Board. The over-expenditure of Kshs. 109,062,583 resulted from officers seconded to the Municipality during the year, while their personnel costs continued to be budgeted under their respective parent departments. The County Executive Treasury incurred the staff costs on behalf of the Municipality, leading to the variance. Management confirms all staff costs incurred were legitimate and adequate supporting documentation has been provided.

Committee Observations

The Committee observed that the Municipality incurred staff cost expenditure of Kshs. 204,062,583, representing an over-expenditure of Kshs. 109,062,583 or 115% beyond the Board-approved budget of Kshs. 95,000,000, without Board approval for the excess.

Committee Recommendations

The Committee recommends that-

2. Going Concern

- i. The statement of financial performance for the year ended 30 June, 2025 reflected an operational deficit of Kshs. 63,692,805. Further, the statement of changes in net assets reflected an accumulated deficit of Kshs. 57,572,346, indicating that **the the Governor ensures the Accounting Officer and Board institute proper controls over staff establishment and payroll management to ensure all staff cost expenditures are within Board-approved limits and properly supported; and**
- ii. **the Governor ensures that going forward, any excess expenditure beyond the Board-approved budget is formally approved by the Board prior to incurrence, in compliance with the Public Finance Management Act and applicable regulations.**

Municipality had been continuously incurring deficits in its operations in previous financial years.

In the circumstances, if strategies are not put in place to reverse the trend of accumulating operational deficits, the Municipality is likely to face financial challenges in the future and may not be able to sustain service delivery.

Management Response

The deficits mainly resulted from the recognition of depreciation expenses of Kshs. 39,384,681 for assets not depreciated in prior periods and past trade payables of Kshs. 25,099,726 expensed during the year. These adjustments totalled Kshs. 64,484,407. Without these adjustments arising from the change from cash to accrual accounting, the Municipality would have reported a surplus of Kshs. 791,602. The Municipality's liquidity and ability to meet its obligations remain unaffected, and the Municipality continues to receive financial support from the County Government.

Committee Observations

The Committee observed that the Municipality recorded an operational deficit of Kshs. 63,692,805 and an accumulated deficit of Kshs. 57,572,346, though management indicated the deficit was largely attributable to non-cash accounting adjustments arising from the transition to accrual accounting.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Municipality develops and implements a comprehensive financial management plan to sustain operational viability,**

including progressive operationalization as an autonomous entity with own revenue collection capabilities; and

- ii. **the Auditor-General keeps the going concern matter in view and provides a status update in the subsequent audit cycle.**

3. Long Outstanding Trade and Other Payables

The statement of financial position as disclosed under Note 15 reflected trade and other payables of Kshs. 28,022,529 as at 30 June, 2025. Included in this balance were amounts totalling Kshs. 22,139,645 that had been outstanding for more than one year, contrary to Regulation 42(1)(b) of the Public Finance Management (National Government) Regulations, 2015, which requires that debt service payments form the first charge on the budget. The payables increased from Kshs. 2,922,803 in the prior year to Kshs. 28,022,529, a significant increase of Kshs. 25,099,726, without satisfactory explanation or supporting documentation.

In the circumstances, the regularity and accuracy of the trade and other payables balance of Kshs. 28,022,529 could not be ascertained.

Management Response

The increase was due to the change from cash accounting to accrual accounting that necessitated past trade payables of Kshs. 25,099,726 to be recognized. Part of the outstanding payables of Kshs. 7,200,000 has since been settled. The remaining balance is scheduled for settlement within the 2025/2026 financial year. These obligations have been fully captured in the approved budget for 2025/2026.

Committee Observations

The Committee observed that the Municipality's trade and other payables increased significantly from Kshs. 2,922,803 in the prior year to Kshs. 28,022,529, with Kshs. 22,139,645 outstanding for more than one year, partly attributable to the transition to accrual accounting.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Accounting Officer develops a comprehensive payables settlement plan and clears all outstanding trade payables within the 2025/2026 financial year as committed, and provides a status update to the Auditor-General for verification; and**
- ii. **the Accounting Officer strengthens commitment control and payment prioritization processes to ensure timely settlement of obligations going forward in compliance with the Public Finance Management Regulations.**

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June 2025 reflects total budgeted receipts of Kshs. 433,981,549 and actual receipts of Kshs. 284,226,763 resulting in under-realization of Kshs. 149,754,786 or 35% of the budget. Similarly, the statement reflects total budgeted expenditure of Kshs. 142,957,337 and actual expenditure of Kshs. 236,812,423, resulting in over-expenditure of Kshs. 93,855,086 or 66% of the budget.

The under-realization affected the planned activities and may have negatively impacted service delivery to the public. The over-expenditure of Kshs. 93,855,086 was an indication of poor budgeting.

Management Response

The under-realization of budgeted receipts of Kshs. 149,754,786 was mainly due to funds not being transferred to the Municipality by the County Government, attributable to ongoing projects for which contractors had not submitted interim payment certificates. The over-expenditure primarily related to staff costs arising from the budgeting arrangement where seconded officers were budgeted under parent departments.

Committee Observations

The Committee observed that the Municipality under-realized its budgeted receipts by 35% and over-expended its budget by 66%, indicating significant weaknesses in budgetary planning and financial control.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer prepares realistic budgets and revenue projections, aligned to priority areas and focused on improving service delivery to residents of Kisii Municipality; and**
- ii. the Municipality should establish effective budget monitoring mechanisms and ensure that all staff costs are captured under the Municipality's own budget rather than in parent departments to provide a true picture of its financial performance.**

2. Project Implementation Status

The statement of comparison of budget and actual amounts reflects a final budgeted expenditure of Kshs. 433,981,549, which included capital expenditure payments of Kshs. 291,024,212 for nineteen (19) projects. However, the project implementation status report provided for audit indicated that only five (5) projects had been implemented, while the

remaining fourteen (14) projects valued at Kshs. 222,413,692 had not been fully initiated, with the Urban Development Grant of Kshs. 95,993,018 still pending.

Management Response

Management acknowledged the observation on project implementation. Several contracts have since been awarded and are ongoing. The Urban Development Grant is a conditional grant under the Kenya Urban Support Programme dependent on attaining specific milestones before disbursement. Various completion certificates have been provided for implemented projects.

Committee Observations

The Committee observed that the Municipality failed to implement fourteen (14) out of nineteen (19) planned projects valued at Kshs. 222,413,692, significantly affecting service delivery to residents of Kisii Municipality.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Municipality Board develops a comprehensive project implementation schedule with specific timelines for all outstanding projects and submits a status report to the Auditor-General for verification within 90 days of the adoption of this report; and**
- ii. **the Governor ensures that the milestones required for the Urban Development Grant disbursement are urgently met and the grant funds are channeled to priority infrastructure projects.**

3. Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised. Review during the audit of the Municipality in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Unconfirmed Revenue and Staff Costs Amounts
2	2023/2024	Unsupported Board Expenses
3	2023/2024	Budgetary Control and Performance
4	2023/2024	Unjustified Payments of Consultancy Fees
5	2023/2024	Failure to Maintain Retention Account
6	2023/2024	Failure to Operationalize the Kisii Municipality Charter

Management Response

Management indicated that the unresolved prior-year matters will be addressed within the set timelines. Some matters including Unsupported Board Expenses and Unjustified Payments of Consultancy Fees have been resolved by provision of supporting documentation. Others including Unconfirmed Revenue and Staff Costs Amounts, Budgetary Control and Performance, Failure to Maintain Retention Account, and Failure to Operationalize the Kisii Municipality Charter remain unresolved and are targeted for resolution by 1st July 2026 or 30th June 2026.

Committee Observations

The Committee observed that six (6) prior year audit matters from Financial Year 2023/2024 remained unresolved, including fundamental governance issues such as the failure to operationalize the Kisii Municipality Charter and failure to maintain a retention account.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer resolves all outstanding prior year audit matters and provides a comprehensive status report to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report; and**
- ii. the Auditor-General provides a status update on the resolution of the prior year matters in the subsequent audit cycle.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Anomalies in the Establishment of Waste Collection Facility

The statement of financial position reflects net book value of property, plant, and equipment of Kshs. 389,127,326 as disclosed in Note 14. This balance includes infrastructural assets of Kshs. 330,198,615, out of which Kshs. 48,205,942 represents additions during the year. Included in the additions was Kshs. 12,638,758 in respect of a contract awarded for the establishment of a waste collection facility. The contractor was paid the full contract sum of Kshs. 12,638,758 on 27 March, 2025, with works to be completed within eight months (16 July, 2024 to 16 January, 2025).

However, physical inspection on 2 September, 2025 confirmed that the project was incomplete despite the expiry of the contract period and the contractor was not on site despite having been paid the full contract sum. The audit also revealed that the project scope was varied, resulting in increased costs of Kshs. 3,048,060. However, the Board approval, revised Bills of Quantities, technical evaluation report and updated implementation schedule reflecting the revised scope were not availed for audit review.

In the circumstances, the propriety and regularity of the expenditure and the cost variation of Kshs. 3,048,060 could not be confirmed.

Management Response

Management noted the audit observation regarding the establishment of the waste collection facility. The project was executed under a revised scope, which necessitated additional works and led to a cost variation of Kshs. 3,048,060. The contractor was granted an extension of time due to the design changes and prolonged rainfall during the implementation period. Management has provided the necessary supporting documentation including Board approval minutes, revised Bills of Quantities, technical evaluation report, updated implementation schedule, and extension of time documentation.

Committee Observations

The Committee observed that the Municipality paid the full contract sum of Kshs. 12,638,758 for a waste collection facility project that was found to be incomplete upon physical inspection after the expiry of the contract period. The scope variation of Kshs. 3,048,060 was also not supported with the requisite documentation at the time of audit, though management has since provided supporting documentation.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Accounting Officer takes appropriate action to ensure the contractor completes the project and that any penalties provided for in the contract for delayed completion are enforced, and provides a status update to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report; and**
- ii. **the Accounting Officer ensures all future contract variations are properly justified, Board-approved, and supported with complete documentation including revised BOQs, technical evaluation reports, and engineers' pre- and post-inspection reports before payment is made, in compliance with the Public Procurement and Asset Disposal Act.**

2. Failure to Maintain Retention Account

As reported in the prior year's audit, the statement of financial position reflected cash and cash equivalent balances of Kshs. 108,155. However, the audit revealed that the Municipality had not established and maintained a separate bank account for retention monies to cover potential defects in construction contracts.

Management Response

The Board of Management has approved the opening of a dedicated retention account to cover potential defects in construction contracts. A formal request for authorization to open

the account has been submitted to the County Executive Committee Member for Finance and Economic Planning.

Committee Observations

The Committee observed that the Municipality had not established a separate retention account, a matter that was also raised in the prior year audit and remained unresolved.

Committee Recommendations

The Committee recommends that the Governor ensures the Municipality opens a dedicated retention account within 30 days of the adoption of this report and provides evidence of the same to the Auditor-General for verification.

3. Failure to Operationalize the Kisii Municipality Charter

The Kisii Municipality Board failed to fully operationalize the Municipality Charter, thereby denying the Municipality the opportunity to perform its functions as outlined in Clause 2.3.1 of the Charter. No disbursements were made by the County Treasury directly to the Municipality; instead, all payments were executed by the County Treasury on behalf of the Municipality, contrary to Clause 3.1.3 of the Kisii Municipality Charter. Although Gazette Notice No. 9071 of 17 May 2024 provided for the transfer of municipal functions to the Board, revenue collection continues to be managed by the County Executive revenue department, and the Municipal Board has yet to track all treasury matters relating to its recurrent and development budget.

In the circumstances, the effectiveness of service delivery to the residents of Kisii Municipality cannot be confirmed.

Management Response

Management concurred with the auditor's observation. Plans are underway to transfer the functions from the County Government to the Municipality as indicated in the gazette notice.

Committee Observations

The Committee observed that despite the issuance of Gazette Notice No. 9071 of 17 May 2024 providing for the transfer of functions to the Municipality Board, the Municipality had not been fully operationalized as an autonomous entity, with the County Executive continuing to manage revenue collection and execute payments on behalf of the Municipality.

Committee Recommendations

The Committee recommends that-

- i. the Governor should take immediate steps to fully implement the Kisii Municipality Charter and Gazette Notice No. 9071 of 17 May 2024, including transfer of all revenue collection, financial management and service delivery**

functions to the Municipality Board within 90 days of the adoption of this report; and

- ii. within sixty (60) days of the adoption of this report, the Board of the Municipality ensures the Integrated Development and Economic Plan and the Integrated Strategic Urban Development Plan (ISUDP) for the Municipality is put in place in line with section 20(1)(c) of the Urban Areas and cities Act, Cap.275;
- iii. the Governor takes all the necessary steps to ensure the Municipality achieves full operational independence in accordance with sections 12 (management independence), 20 (functional independence), 45 and 46 (financial independence) of the Urban Areas and Cities Act, cap.275 and the Auditor General to verify the implementation of this recommendation in the next audit cycle;
- iv. the Governor should ensure by the commencement of the financial year 2026/2027 that the municipality is fully operationalized in line with its delegated functions as gazetted by the county government; and
- v. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor to keep this matter in view and report in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Internal Audit and Audit Committee Function

A review of the governance structure of the Municipality revealed that although the Municipality had an internal audit function, the internal audit charter and risk management policy and framework had not been approved by the Board's audit committee. In addition, the Audit Committee held only three (3) meetings during the year under review, contrary to Regulation 172(1) of the Public Finance Management (County Government) Regulations, 2015, which requires audit committees to meet at least once every three months.

In the circumstances, management had not put in place an effective system to adequately monitor the Municipality's governance processes, accountability mechanisms, and control environment, nor to provide objective advice on issues relating to risk, compliance, and governance.

Management Response

Management takes note of the auditors' observations. This is regrettable. Management is committed to complying with the provisions of Regulation 172(1) of the PFM (County Governments) Regulations, 2015 going forward.

Committee Observations

The Committee observed that the Municipality's Audit Committee held only three (3) meetings during the year, fewer than the required four (4) meetings under Regulation 172(1), and that the internal audit charter and risk management policy had not been approved by the Board's audit committee.

Committee Recommendations

The Committee recommends that the County Executive Committee Member (CECM) – Finance ensures that the Municipality puts in place all internal control systems such as the Internal Audit Function as provided under section 155 (5) of the Public Finance Management Act, 2012 among others to guide the internal operations of the Municipality. Further, the County Executive Committee Member (CECM) – Finance to submit evidence of the same to the Auditor General for verification.

2. Irregular Composition of the Board

A review of the governance structure revealed that the Municipality had a board of seven (7) members appointed on 11 June, 2024. The financial statements reflected that the Board had eight members inclusive of the Fund Manager who was the secretary of the Board, which was contrary to Section 14 of the Urban Areas and Cities Act, 2011 and Clause 3.3.1 of the Kisii Municipality Charter, which required the board to be composed of nine (9) members. In addition, the audit could not ascertain which umbrella bodies the members represented as required by Clause 3.3.3 of the Kisii Municipality Charter.

In the circumstances, the Municipality is in breach of the law.

Management Response

Management acknowledges the Auditor's observation. Management is taking steps to ensure that the Board's membership is brought into full compliance with the legal and charter requirements, including ensuring the correct number of members and proper representation from the designated umbrella bodies.

Committee Observations

The Committee observed that the Municipality's Board was not fully constituted in accordance with the requirements of Section 14 of the Urban Areas and Cities Act, 2011, with only seven (7) members instead of the required nine (9), and the umbrella body representations could not be confirmed.

Committee Recommendations

The Committee recommends that-

- i. the Governor takes immediate steps to constitute a fully compliant Board of nine (9) members with proper representation from the designated umbrella bodies as required by Section 14 of the Urban Areas and Cities Act, 2011 and**

- the Kisii Municipality Charter, and provides evidence of compliance to the Senate within 60 days of the adoption of this report; and**
- ii. **the Auditor-General monitors compliance and provides a status update in the subsequent audit cycle.**

CHAPTER THREE: HOSPITALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KISII HOSPITALS FOR THE FINANCIAL YEAR 2024/25

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General audited the financial statements of the following Hospitals in Kisii County for the financial year ended 30th June 2025-

1. Etago Sub-County Hospital,
2. Gesusu Sub-County Referral Hospital,
3. Gucha Sub County Referral Hospital,
4. Ibacho Sub-County Hospital,
5. Ibeno Sub-County Referral Hospital,
6. Iranda Sub County Referral Hospital

However, the Management did not submit responses to the specific audit queries raised in the Auditor-General's reports.

Committee Observations

The Committee observed the failure by the Management to submit their responses to the queries raised by the Auditor-General. This omission was attributed to the non-submission of requisite supporting documents by the County management to facilitate the Committee's scrutiny. This failure constitutes a breach of section 62 of the Public Audit Act, Cap. 412B, which mandates the timely provision of documentation to facilitate public audit and oversight.

This failure to submit, severely impedes the constitutional oversight function of Parliament, as enshrined in Article 96 as read together with Article 227(8) of the Constitution, and undermines the principle of public accountability over county resources. The Committee notes that this lack of cooperation renders it unable to conduct a thorough examination of the management of Hospitals and related expenditure of public funds.

Committee Recommendations

The Committee recommends ---

- i. the adoption of the Auditor-General's findings on the financial statements for the afore-mentioned County Hospitals for the Financial Year 2024/2025, as the Management failed to provide responses to the audit queries;
- ii. The Governor ensure that the Accounting Officer resolves all issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A;

- iii. **the Accounting Officers of the Hospitals are directed to ensure strict compliance with Section 62 of the Public Audit Act, Cap. 412B, in all subsequent reporting periods, by providing all requisite responses and documentation to the Senate and a copy to the Auditor-General within the stipulated timelines;**
- iv. **The Governor should ensure that within sixty (60) days of the adoption of this report, Accounting Officer submits the status report on the mitigation measures taken to resolve all outstanding matters;**
- v. **EACC to take up the issues; and**
- vi. **the Governor is hereby notified that failure to comply with these directives in subsequent audit cycles will attract the application of the penalties for offences as prescribed under section 199 of the Public Finance Management Act, Cap. 412A, against the responsible Accounting Officers.**

CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KISII COUNTY HEALTH FACILITIES IMPROVEMENT FUND FOR THE FINANCIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the reports of the Auditor-General on the financial statement for Kisii County Health Facilities Improvement Fund for the Financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Adverse Opinion on the financial statements of the Kisii County Health Facilities Improvement Fund for the period under review on the following basis—

1. Non-compliance with Financial Reporting Framework

Review of the financial statements revealed the following instances of non-compliance with the IPSAS reporting template prescribed by the Public Sector Accounting Standards Board for county public funds and schemes:

- i. The table of contents excludes the following reports and financial statements which are in the body of the document: Chairman's Statement, Statement of Board of Management's Responsibilities, Statement of Financial Performance, and Statement of Financial Position.
- ii. Although the Kisii County Health Facilities Improvement Fund is a county public fund, its financial statements for the year ended 30 June 2025 were prepared using the prescribed financial reporting template for level 4 and level 5 hospitals, instead of the template for county public funds and schemes.
- iii. The page where the report of the Auditor-General will be inserted is missing.
- iv. The notes reflected in the financial statements start with Note 1 instead of Note 6 as required.
- v. Note 7 and Note 8 to the financial statements reflect receivables from exchange transactions and trade and other payables balances of Kshs. 76,493,436 and Kshs. 67,688,802 respectively, whose ageing analyses are not included as required.
- vi. The statement of cash flows does not indicate a note against "Net cash flows from operating activities", while the Notes to the Financial Statements do not include a note on Cash Generated from Operations to reconcile the surplus.

- vii. The statement of comparison of budget and actual amounts does not include the opening cash and cash equivalents balance of Kshs. 19,323,816 as budget carryovers from the previous year.
- viii. The statement of comparison of budget and actual amounts reflects percentage (%) utilizations below 90% against receipts and payments items, which have not been explained under budget notes.
- ix. The statement of comparison of budget and actual amounts does not include a Budget Reconciliation schedule to reconcile the actual surplus as per the statement and the closing cash and cash equivalents as per the statement of cash flows.

Therefore, Management violated Section 164(3) of the Public Finance Management Act, 2012. In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board.

Management Response

Management acknowledged all the non-compliance observations. The discrepancies were attributed to localized formatting oversights, use of a standardized template for level 4 hospitals for purposes of consolidation, and inadvertent disclosure omissions. Management committed to updating internal review protocols to ensure full compliance in subsequent financial periods.

Committee Observations

The Committee observed that the Kisii County Health Facilities Improvement Fund financial statements were plagued with multiple instances of non-compliance with the IPSAS reporting template, contributing to the Adverse Opinion rendered by the Auditor-General. The pervasive nature of these deficiencies indicates a systemic weakness in financial reporting capacity.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Accounting Officer prepares financial statements in strict compliance with the IPSAS template prescribed by the Public Sector Accounting Standards Board for county public funds and schemes, and conducts a comprehensive review of the financial statements before submission to the Auditor-General;**
- ii. **the Accounting Officer should take appropriate administrative action on finance officers responsible for the preparation of non-compliant financial statements, in compliance with the Public Finance Management Act; and**
- iii. **the National Treasury should enhance awareness and training on accounting standards and reporting templates to all public officers handling financial matters in county health funds.**

2. Inaccuracies in the Financial Statements

The statement of financial position reflects an accumulated surplus balance of Kshs. 15,830,959 which differs with the re-computed balance of Kshs. 24,436,613, resulting in an unreconciled variance of Kshs. 8,605,654. Further, the statement reflects receivables from exchange transactions of Kshs. 76,493,436 which differs with the re-computed balance of Kshs. 137,758,845, resulting in a variance of Kshs. 61,265,409, representing an opening balance omitted in the calculation. Similarly, trade and other payables of Kshs. 67,688,802 differs with the re-computed balance of Kshs. 134,124,479, a variance of Kshs. 66,435,677. Additionally, the statement of changes in net assets reflects surplus of Kshs. 1,478,432 while the statement of financial performance shows Kshs. 10,283,065, an unreconciled variance of Kshs. 8,804,633. The statement of cash flows also reflects an opening cash balance of Kshs. 5,547,894 which differs with the prior year's closing balance of Kshs. 19,323,816, a variance of Kshs. 13,775,922 that was not explained.

In the circumstances, the accuracy, completeness and fair presentation of the financial statements could not be confirmed.

Management Response

Management acknowledges the noted variances and has initiated a comprehensive reconciliation exercise to address them. These adjustments will be formally incorporated under Prior Year adjustments in the subsequent financial year 2025/2026.

Committee Observations

The Committee observed that the financial statements of the Kisii County Health Facilities Improvement Fund contained multiple material variances and inaccuracies in key financial balances including accumulated surplus, receivables, payables, and cash, which could not be reconciled, raising serious doubts about the accuracy and completeness of the financial statements.

Committee Recommendations

The Committee recommends that—

- i. The Governor ensures that the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**

- ii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iii. **the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submit a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iv. **the Governor ensures that the Accounting Officer enhances the capacity of in-post officers preparing financial statements to comply with the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements; and**
- v. **the Accounting Officer ensures that prior year adjustments are carried out in the Fund's financial statements of the subsequent year to correct the errors to reflect the true financial position of the Fund.**

3. Unconfirmed Medical Service Income

The statement of financial performance reflects medical services income of Kshs. 275,101,145, comprising user fees of Kshs. 198,607,709 and Social Health Authority (SHA) claims of Kshs. 76,493,436. However, out of the nineteen (19) health facilities under the Fund, only fifteen (15) consistently transferred revenue on a monthly basis. Nyamasibi and Iyabe Sub County Hospitals transferred revenue only three times, while Marani and Nyacheki Sub County Hospitals transferred revenue twice and once respectively. Additionally, Iyabe and Marani Sub County Hospitals did not comply with the requirement to sweep revenue to the Fund account by the fifth day of the following month. The Fund also received direct deposits of Kshs. 1,356,428 from unidentified sources, and different facilities applied different pricing for services offered to patients.

In the circumstances, the accuracy and completeness of the medical services income of Kshs. 275,101,145, and the effectiveness of internal controls on revenue transfers from health facilities could not be confirmed.

Management Response

Management noted the observation. The circular authorizing the sweeping of collections has been provided. Iyabe and Marani health facilities operate accounts at Co-operative Bank; formal instructions were issued but not implemented, and interim cheque payments were effected. The direct deposits of Kshs. 1,356,428 relate to SHA remittances affected

by incorrect Master Facility codes. Management is in the process of developing a standardized county health services tariff to ensure uniformity across all facilities.

Committee Observations

The Committee observed that the accuracy of medical services income of Kshs. 275,101,145 could not be confirmed due to irregular revenue remittance patterns by some facilities, direct deposits from unidentified sources, and non-standardized service charges across the nineteen (19) health facilities.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Fund management enforces uniform revenue remittance timelines across all health facilities, with all facilities required to sweep revenue to the Fund account by the fifth day of the subsequent month, without exception;
- ii. the Governor ensures the management develops and implements a standardized county health services tariff within 60 days of the adoption of this report, and submits evidence of implementation to the Auditor-General for verification; and
- iii. management resolves the SHA master facility code issues with the Social Health Authority to eliminate unidentified deposits.

4. Unsupported Repair and Maintenance Expense

The statement of financial performance reflects Kshs. 14,283,635 in respect of repairs and maintenance. However, management paid Kshs. 6,008,793 to suppliers without raising quotations from a list of registered suppliers. Further, engineers' pre- and post-inspection reports were not provided for audit review.

In the circumstances, the accuracy, completeness and propriety of the repairs and maintenance amount of Kshs. 14,283,635 could not be confirmed.

Management Response

Of the Kshs. 6,008,793, Kshs. 944,387 related to low-value procurements below the Kshs. 50,000 threshold not requiring competitive quotations. Expenditures of Kshs. 1,361,467 above the threshold obtained competitive quotations, and Kshs. 3,702,939 were supported by engineers' pre- and post-inspection reports. These documents were not available during audit but have since been submitted for verification.

Committee Observations

The Committee observed that repairs and maintenance expenditure of Kshs. 6,008,793 was incurred without adequate supporting documentation at the time of audit, though management has since provided the requisite documentation.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures all repairs and maintenance expenditures are supported with adequate documentation including competitive quotations where required, and engineers' pre- and post-inspection reports, before payment is approved, in compliance with the Public Procurement and Asset Disposal Act.

5. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs. 7,026,326. However, the supporting cash book and bank reconciliation statement were not provided for audit review.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 7,026,326 could not be confirmed.

Management Response

This was an oversight and the documents have since been provided for verification.

Committee Observations

The Committee observed that cash and cash equivalents of Kshs. 7,026,326 were not supported by cash books and bank reconciliation statements at the time of audit, though management has since provided the required documentation.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures all financial balances are supported with complete documentation before the conclusion of audit, and that cash books and bank reconciliation statements are maintained on a monthly basis and made readily available for audit.

6. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 76,493,436. However, no documentary evidence was provided to show that efforts had been made to recover the outstanding amounts. Further, management was unable to provide a receivable ageing analysis, or ledger schedules showing opening balances, billings, and receipts during the year.

In the circumstances, the accuracy, completeness and recoverability of the receivables balance of Kshs. 76,493,436 could not be confirmed.

Management Response

Management has since prepared a comprehensive receivable ageing analysis and confirmed recovery of Kshs. 38,336,121 of the mentioned receivables. Going forward, management will ensure reconciliations are updated on a quarterly basis to facilitate monitoring of outstanding balances and assessment of recoverability.

Committee Observations

The Committee observed that receivables of Kshs. 76,493,436 were not adequately supported at the time of audit and no evidence of recovery efforts was provided, though management has since recovered Kshs. 38,336,121 and provided the requisite documentation.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the Accounting Officer maintains an up-to-date receivables ledger with ageing analysis and actively pursues recovery of all outstanding receivables, providing a status report to the Auditor-General on a quarterly basis; and**
- ii. **the Auditor-General monitors the recovery of outstanding receivables and provides a status update in the subsequent audit cycle.**

7. Undisclosed Property, Plant and Equipment

The statement of financial performance reflects repairs and maintenance amount of Kshs. 14,283,635 incurred in respect of repairs and maintenance of plant and machinery, medical equipment, computers and software, motor vehicles, civil works, and buildings and stations. However, these items of property, plant and equipment have not been disclosed in the statement of financial position.

In the circumstances, the accuracy, completeness, and fair presentation of the financial statements could not be confirmed.

Management Response

Management is in the process of valuing these assets, and the resulting values will be reflected in the respective facilities' financial statements once the valuation processes are completed.

Committee Observations

The Committee observed that property, plant and equipment on which repairs and maintenance were incurred were not disclosed in the statement of financial position, indicating incomplete asset records and non-compliance with applicable IPSAS requirements.

Committee Recommendations

The Committee recommends that the Governor ensures the Accounting Officer expedites the valuation of all Fund assets and discloses the same in the financial statements within the 2025/2026 financial year, and submits a copy of the asset register to the Auditor-General for verification.

8. Unsupported and Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs. 67,688,802, whose supporting invoices, local purchase orders (LPOs), local service orders (LSOs) and other relevant documentation were not provided for audit review. Further, review of the ageing analysis revealed that the Fund did not meet its debt obligations for over five years, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations 2015.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs. 67,688,802 could not be confirmed.

Management Response

Management acknowledged the observation. The required documentation has since been provided for audit verification. Management also indicated that the outstanding payables include some that have been contested and that a payment plan has been developed to progressively clear the outstanding balances.

Committee Observations

The Committee observed that trade and other payables of Kshs. 67,688,802 were not supported with adequate documentation at the time of audit, and that some of these payables had been outstanding for over five years, contrary to the applicable regulations.

Committee Recommendations

The Committee recommends that-

- I. the Governor ensures the Accounting Officer develops a comprehensive payables clearance plan with specific timelines, and provides a status report to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report; and**
- II. the Accounting Officer ensures all future expenditure commitments are supported by complete documentation including LPOs, LSOs, and delivery notes, before payment is made.**

9. Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised. Review during the audit of the Fund in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracy of the Statement of Changes in Net Assets
2	2023/2024	Unbalanced Statement of Financial Position
3	2023/2024	Inaccuracy of the Statement of Cash Flows
4	2023/2024	Irregular Contracted Services – Casual Wages
5	2023/2024	Receivables from Exchange Transactions
6	2023/2024	Budgetary Control and Performance
7	2023/2024	Failure to Develop Fund Operation Guidelines
8	2023/2024	Non-Compliance with the Financial Reporting Requirements
9	2023/2024	Weak Controls over Revenue Management System

Management Response

Management has addressed some prior year matters including unsupported expenditure on dressings and pharmaceuticals, domestic travel, repair and maintenance costs, and inaccuracy of cash and cash equivalents. Outstanding matters on financial statement inaccuracies, casual wages, receivables, budgetary control, fund operation guidelines, financial reporting requirements, and revenue management system are targeted for resolution by May 2026.

Committee Observations

The Committee observed that nine (9) prior year audit matters from Financial Year 2023/2024 remained unresolved, including fundamental issues on financial statement inaccuracies and weak internal controls, indicating persistent weaknesses in the Fund's financial management and governance.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Accounting Officer expeditiously addresses all unresolved prior year audit matters and provides a comprehensive status report to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report; and
- ii. the Auditor-General provides a status update on the resolution of the prior year matters in the subsequent audit cycle.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Failure to Achieve the Kisii County Health Facilities Improvement Fund's Objectives

Reported in the statement of financial performance is medical services income of Kshs. 275,101,145. However, there was no evidence that 70% of the funds was used for curative and 30% for preventive and promotive health care services respectively, as required by Section 3(d)(vii) of the Kisii County Health Facilities Improvement Fund Act, 2020.

In the circumstances, Management was in breach of the law.

Management Response

Management noted the Auditor's observation and regrets the oversight in demonstrating compliance with the prescribed allocation. Management commits to ensuring compliance with Section 3(d)(vii) of the Kisii County Health Facilities Improvement Fund Act, 2020 in subsequent financial periods.

Committee Observations

The Committee observed that management did not provide evidence to demonstrate compliance with the statutory requirement to allocate 70% of Fund resources for curative health services and 30% for preventive and promotive health care services, as required by the Kisii County Health Facilities Improvement Fund Act, 2020.

Committee Recommendations

The Committee recommends that the Governor ensures the Fund management demonstrates clear compliance with Section 3(d)(vii) of the Kisii County Health Facilities Improvement Fund Act, 2020, by maintaining adequate records on allocation and utilization of resources for curative and preventive healthcare, and provides evidence of the same to the Auditor-General for verification within 60 days of the adoption of this report.

2. Lack of Approved Budget

Reported in the statement of comparison of budget and actual amounts is a final revenue and expenditure budget of Kshs. 308,193,565. However, no evidence was provided to show that the budget was approved by the Board, contrary to Section 4(7)(a) of the Kisii County Health Facilities Improvement Fund Act, 2020, which requires budget estimates to be submitted after Board approval to the County Treasury. Further, there was no evidence that approval was sought from the County Assembly.

In the circumstance, Management was in breach of the law.

Management Response

Management clarified that the Kisii County Health Facilities Improvement Fund Act, 2020 was superseded by the national Health Facilities Improvement Fund Act, 2023. Under the national Act, budgets are approved at individual health facility level through respective Boards of Management. Management is fast-tracking the enactment of an amendment Bill at the County Assembly to harmonize county legislation with the national Act.

Committee Observations

The Committee observed that no evidence was provided to show Board approval of the Fund budget of Kshs. 308,193,565 or County Assembly approval thereof, and management's argument that the county legislation was superseded by the national Act requires verification.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures the management expedites the enactment of the amendment Bill to harmonize the Kisii County Health Facilities Improvement Fund Act, 2020 with the national Health Facilities Improvement Fund Act, 2023, and provides evidence of the same to the Senate within 60 days of the adoption of this report; and**
- ii. **in the interim, the Fund's budget preparation and approval processes should comply with both the national Act and applicable county public finance management regulations.**

3. Failure to Provide Procurement Plan

Management did not provide a procurement plan containing details of activities to be undertaken by the Fund for the year ended 30 June, 2025, contrary to Regulation 50(2) of the Public Finance Management (County Governments) Regulation, 2015.

In the circumstance, Management was in breach of the law.

Management Response

Management clarified that procurement planning was undertaken at individual health facility level, with facility-level procurement plans approved by respective Boards of Management and forwarded to the Chief Officer for Health for consolidation.

Committee Observations

The Committee observed that a consolidated procurement plan for the Fund was not provided for audit review, raising concerns about compliance with procurement planning requirements under the applicable regulations.

Committee Recommendations

The Committee recommends that the Governor ensures the Fund management prepares and maintains a consolidated procurement plan in compliance with

Regulation 50(2) of the Public Finance Management (County Governments) Regulations, 2015, and provides evidence of the same to the Auditor-General for verification.

4. Failure to Adhere to Budget Timelines

Management did not provide evidence that the budget process started by 30 August 2023 through issuance of a budget circular, contrary to Regulation 30(1) of the Public Finance Management (County Governments) Regulations, 2015. Further, no evidence was provided that the annual development plan was submitted by 1 September 2023 in line with Section 126(3) of the Public Finance Management Act, 2012, or that the Fiscal Strategy Paper was submitted to the County Assembly by 28 February 2024, as required by Section 117(1) of the Public Finance Management Act, 2012.

In the circumstances, Management was in breach of the law.

Management Response

Management confirmed that the budget process started on 30th August 2023 through the annual budget circular issued by the County Executive Committee Member for Finance and Planning. The annual development plan was submitted to the County Assembly on 1st September 2023. The Fiscal Strategy Paper was submitted to the County Assembly by 28th February 2024.

Committee Observations

The Committee observed that management provided documentation to support compliance with budget timelines, including the budget circular, annual development plan submission, and Fiscal Strategy Paper, which were not availed to the auditor during the audit process.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures all budget process documents are availed to the Auditor-General during audit as required under Section 9(1)(e) of the Public Audit Act, and that all subsequent budget processes adhere strictly to the prescribed timelines under the Public Finance Management Act and applicable regulations.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Sufficient Details in the General Ledgers/Support Schedules

The statement of financial performance reflects total expenses of Kshs. 264,818,080. However, the supporting ledger/schedules amounting to Kshs. 3,514,842 provided for audit lacked relevant details such as narrations of activities undertaken, dates payments were made, cut-off dates, cheque numbers, and vote heads for which expenditures were budgeted and charged.

In the circumstances, the effectiveness of internal controls on maintenance of accounting records could not be confirmed.

Management Response

Management noted the observation and has since prepared detailed supporting schedules including narrations of activities, payment dates, cut-off details, cheque numbers, and vote heads. Management commits to strengthening record-keeping and documentation to enhance internal controls over accounting records.

Committee Observations

The Committee observed that the Fund's general ledgers and support schedules lacked critical details required for effective audit and monitoring of expenditure, indicating weaknesses in internal controls over accounting records.

Committee Recommendations

The Committee recommends that the Accounting Officer ensures all general ledger entries and supporting schedules contain complete and accurate details including narrations, dates, cheque numbers and vote heads, and that this information is readily available for audit review in the subsequent audit cycle.

2. Lack of a Functional Facilities Improvement Fund Board of Governance

During the audit, it was noted that the Fund Board's term of service had lapsed on 30 April, 2024 and a new Board had not been appointed, contrary to Section 5 of the Kisii County Health Facilities Improvement Fund Act, 2020, which requires the establishment of a board to oversee the governance of the Fund. There was no evidence that the Fund had initiated the process of appointing a new board.

In the circumstances, the effectiveness of governance in the Fund could not be confirmed, and the appointing authority was in breach of the law.

Management Response

Management clarified that the Board of Directors established under the Kisii County Health Facilities Improvement Fund Act, 2020 ceased upon the enactment of the national Health Facilities Improvement Fund Act, 2023. Boards of Management for respective health facilities were duly appointed and gazetted. A draft Bill to align the county legislation with the national Act is before the County Assembly.

Committee Observations

The Committee observed that the Fund did not have a functional governing Board from 30 April 2024, creating a governance vacuum and raising serious concerns about accountability and oversight of the Fund during the period under review.

Committee Recommendations

The Committee recommends that-

- i. **the Governor ensures a new and fully constituted governing Board is appointed for the Fund within 60 days of the adoption of this report, and provides evidence of the same to the Senate; and**
- ii. **the Governor expedites the enactment of the amendment Bill to harmonize the Kisii County Health Facilities Improvement Fund Act with the national Health Facilities Improvement Fund Act, 2023.**

3. Weak Internal Audit Function

The Kisii County Health Facilities Improvement Fund had an Internal Audit function consisting of five (5) staff members seconded from the County Executive. However, there were no internal audit reports on the state of risk management, control and governance within the Fund. Further, there were no approved Internal Audit workplan and Internal Audit charter.

In the circumstances, the existence and/or effective internal control and risk management in the Fund could not be confirmed.

Management Response

Internal audit reports, workplan, and internal audit charter have been provided for verification. However, approval of the workplans was not discussed due to the absence of the audit committee.

Committee Observations

The Committee observed that the Fund's internal audit function was weak, with no approved Internal Audit workplan or charter, and no internal audit reports on risk management and governance, undermining the effectiveness of internal controls within the Fund.

Committee Recommendations

The Committee recommends that the Governor ensures the Fund management develops and implements an approved Internal Audit workplan and charter within 60 days of the adoption of this report, and ensures the internal audit function produces regular reports on risk management and governance for Board consideration.

4. Lack of a Functional Facilities Improvement Fund Audit Committee

During the audit, it was noted that the Fund did not have a functional audit committee, contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to have an audit committee adequately funded and supported by the Accounting Officer.

In the circumstances, the effectiveness of internal control, risk management and governance in the Fund could not be confirmed.

Management Response

Management noted the observation and has since advertised the positions. The appointment of Audit Committee members has been finalized in compliance with Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015.

Committee Observations

The Committee observed that the Fund lacked a functional Audit Committee during the year under review, though management has since taken steps to appoint committee members.

Committee Recommendations

The Committee recommends that the Governor ensures the newly constituted Audit Committee is fully operationalized and holds its meetings at least once every three months as required by the applicable regulations, and provides evidence of the same to the Auditor-General for verification.

5. Lack of Fraud and Risk Management Strategies

During the year under review, the Fund did not have in place a fraud management policy or a risk management policy or strategy, contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015. Additionally, the Fund did not have a risk register, and no formal risk assessments were performed during the financial year.

In the circumstances, the effectiveness of risk management in the Fund could not be confirmed.

Management Response

A risk management policy is in place and has been attached for verification. A standalone fraud management policy has not been developed. Management will prioritize the formulation and implementation of a fraud management policy in compliance with Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Observations

The Committee observed that the Fund did not have an approved fraud management policy or a risk register, and no formal risk assessments were performed, exposing the Fund to significant operational, legal and financial risks.

Committee Recommendations

The Committee recommends that-

- i. the Governor ensures the Fund management develops and implements a comprehensive fraud management policy and risk management strategy in compliance with Regulation 158(1) of the Public Finance Management (County**

**Governments) Regulations, 2015, within 60 days of the adoption of this report;
and**

- ii. the Fund should maintain and regularly update a risk register and conduct formal risk assessments at least annually. Evidence of compliance should be submitted to the Auditor-General for verification in the subsequent audit cycle.**

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR VARIOUS KISII COUNTY FUNDS FOR THE FINANCIAL YEAR 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General audited the financial statements of the following funds in Kisii for the financial year ended 30th June 2025-

1. Kisii County Emergency Fund,
2. Kisii Mortgage & Car Loan (executive),
3. Kisii County Climate Change Fund,
4. Kisii County Bursary Fund,
5. Kisii County Covid-19 Emergency Fund,
6. Kisii County Veterinary Services Development Fund,
7. Kisii Demonstration Farms Fund

However, the Management did not submit responses to the specific audit queries raised in the Auditor-General's reports.

Committee Observations

The Committee observed the failure by the Management to submit their responses to the queries raised by the Auditor-General. This omission was attributed to the non-submission of requisite supporting documents by the County management to facilitate the Committee's scrutiny. This failure constitutes a breach of section 62 of the Public Audit Act, Cap. 412B, which mandates the timely provision of documentation to facilitate public audit and oversight.

This failure to submit, severely impedes the constitutional oversight function of Parliament, as enshrined in Article 96 as read together with Article 227(8) of the Constitution, and undermines the principle of public accountability over county resources. The Committee notes that this lack of cooperation renders it unable to conduct a thorough examination of the management of county funds and related expenditure of public funds.

Committee Recommendations

The Committee recommends ---

- i. the adoption of the Auditor-General's findings on the financial statements for the afore-mentioned County Funds for the Financial Year 2024/2025, as the Management failed to provide responses to the audit queries;
- ii. The Governor ensure that the Accounting Officer resolves all issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A;

- iii. **the Accounting Officers of the Funds are directed to ensure strict compliance with Section 62 of the Public Audit Act, Cap. 412B, in all subsequent reporting periods, by providing all requisite responses and documentation to the Senate and a copy to the Auditor-General within the stipulated timelines;**
- iv. **The Governor should ensure that within sixty (60) days of the adoption of this report, Accounting Officer submits the status report on the mitigation measures taken to resolve all outstanding matters;**
- v. **EACC to take up the issues; and**
- vi. **the Governor is hereby notified that failure to comply with these directives in subsequent audit cycles will attract the application of the penalties for offences as prescribed under section 199 of the Public Finance Management Act, Cap. 412A, against the responsible Accounting Officers.**

ANNEXTURES

Minutes of the Committee



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY THIRD SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 30TH MARCH 2026 HELD ON ZOOM PLATFORM AT 10.00 A.M.

PRESENT

- | | |
|--|--------------------|
| 1. Sen. Godfrey Atieno Osotsi, CBS, MP | - Chairperson |
| 2. Sen. Eddy Gicheru Oketch, MP | - Vice-Chairperson |
| 3. Sen. Agnes Kavindu Muthama, MP | - Member |
| 4. Sen. Peris Pesi Tobiko, CBS, MP | - Member |
| 5. Sen. Hamida Ali Kibwana, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|--------------------------------------|----------|
| 6. Sen. William Kisang' Kipkemoi, MP | - Member |
| 7. Sen. Beth Kalunda Syengo, MP | - Member |
| 8. Sen. Raphael Chimera Mwinzagu, MP | - Member |
| 9. Sen. George Mungai Mbugua, MP | - Member |

SECRETARIAT

- | | |
|-----------------------|------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Erick Kimani | - Clerk Assistant II |
| 3. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 4. Mr. Jeremy Chabari | - Senior Legal Counsel |
| 5. Mr. Peter Katana | - Research Officer |
| 6. Ms. Hamun Mohamud | - Research Officer |
| 7. CPA Keneddy Owuoth | - Fiscal Analyst |
| 8. Mr. Victor Kimani | - Audio officer |

MIN. NO. SEN/CPICSF/382/2026 PRAYER

The meeting was called to order by the Chairperson at twenty-five minutes past ten O'clock in the morning followed by a word of prayer.

MIN. NO. SEN/CPICSF/383/2026 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed Sen. Eddy Gicheru Oketch, MP and seconded by Sen. Hamida Ali Kibwana, MP as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Consideration and Adoption of Reports
4. Any Other Business; and
5. Date of the Next Meeting and Adjournment.

**MIN. NO. SEN/CPICSF/384/2026 CONSIDERATION AND ADOPTION OF
REPORTS**

The Committee considered the reports on the consideration of the audit reports of the following counties and their respective entities for the Financial Year 2024/2025 (1st July-, 2024 to 30th June, 2025)-

1. Kajido County

- I. Ololaiser Water and Sewerage Company Limited
- II. Nol-Turesh Loitokiok Water and Sanitation Company Limited
- III. Olkejuado Water and Sewerage Company Limited
- IV. Kajido County Referral Hospital
- V. Imbirikani Level 4 Hospital
- VI. Ngong Level 4 Hospital
- VII. Kitengela Sub-County Hospital
- VIII. Ongata Rongai Sub-County Hospital
- IX. Kajido County Emergency Fund
- X. Kajido County Alcoholic Drinks Control Fund
- XI. Kajido County Climate Change Fund
- XII. Kajido County Disability Mainstreaming Fund
- XIII. Kajido County Education Bursary Grants and Scholarship Fund
- XIV. Kajido County Youth and Women Enterprise Fund
- XV. Kajido County Emergency Fund

2. Kiambu County

- I. Gatundu Water and Sewerage Company
- II. Githunguri Water and Sanitation Company
- III. Karuri Water and Sanitation Company
- IV. Kiambu Water & Sanitation Company
- V. Limuru Water and Sewerage Company
- VI. Ruiru-Juja Water & Sewerage Company
- VII. Thika Water and Sewerage Company
- VIII. Karuri Municipality
- IX. Kiambu Municipality
- X. Kikuyu Municipality

- XI. Limuru Municipality
- XII. Ruiru Municipality
- XIII. Thika Municipality
- XIV. Gatundu Level 5 Hospital
- XV. Igeania Sub-County Hospital
- XVI. Karuri Level 4 Hospital
- XVII. Kigumo Level 4 Hospital
- XVIII. Kihara Sub County Hospital
- XIX. Lari Hospital
- XX. Lusigetti Sub- County Hospital
- XXI. Nyathuna Level 4 Hospital
- XXII. Ruiru Sub-County Hospital
- XXIII. Tigoni Sub County Hospital
- XXIV. Wangige Sub County Hospital
- XXV. Kiambu County Referral Hospital
- XXVI. Thika Level 5 Hospital
- XXVII. Kiambu County Executive Emergency Fund
- XXVIII. Kiambu County Alcoholic Drinks Control Fund
- XXIX. Kiambu County Climate Change Fund,
- XXX. Kiambu County Executive Bursary Fund
- XXXI. Kiambu County Fif Fund
- XXXII. Kiambu County Jiinue Fund

3. Homabay

- I. Homa Bay County Water and Sanitation Company Ltd (Homawasco)
- II. Municipality Of Homa Bay
- III. Municipality Of Kendu Bay
- IV. Municipality Of Mbita
- V. Municipality Of Ndhiwa
- VI. Municipality Of Oyugis
- VII. Homa Bay County Teaching and Referral Hospital
- VIII. Kabondo Sub-County Hospital
- IX. Kandiege Sub-District Hospital
- X. Kendu Sub-District Hospital
- XI. Kisegi Sub-District Hospital
- XII. Magunga Level Iv Hospital
- XIII. Makongeni L4
- XIV. Malela Level 4 Hospital
- XV. Marindi Sub County Referral Hospital
- XVI. Ndhiwa Sub County Hospital
- XVII. Nyandiwa Level Iv Hospital
- XVIII. Nyangiela Sub District
- XIX. Ogongo Level 4 Hospital
- XX. Pala Level 4 Hospital

- XXI. Rachuonyo District Hospital
- XXII. Rangwe Sub-District Hospital
- XXIII. Sena Level 4 Hospital
- XXIV. Suba North Sub-County Hospital
- XXV. Suba Sub-County Hospital
- XXVI. Tom Mboya Memorial Level 4 Hospital
- XXVII. Homa Bay County Mortgage & Car Loan Executive Fund
- XXVIII. Homa Bay County Alcoholic Drink Control Board
- XXIX. Homa Bay County Bursary Fund

4. Migori

- I. Migori Water and Sewerage Company
- II. Awendo Municipality
- III. Kehancha Municipality
- IV. Migori Municipality
- V. Rongo Municipality
- VI. Awendo Sub-County Hospital
- VII. Isibania Sub-District Hospital
- VIII. Karungu Sub-County Hospital
- IX. Kegonga Sub County Hospital
- X. Macalder Sub-County Hospital
- XI. Migori County Referral Hospital
- XII. Muhuru Sub-County Hospital
- XIII. Ntimaru Sub County Hospital
- XIV. Nyamaraga Sub County Hospital
- XV. Othoro Sub County Hospital
- XVI. Oyani Sub County Hospital
- XVII. Rongo Sub County Hospital
- XVIII. Uriri Sub County Hospital
- XIX. Migori County Ward Development Fund.
- XX. Migori County Executive Car Loan and Mortgage Fund
- XXI. Migori County Climate Change Fund.
- XXII. Migori County Alcoholic Drinks Control Fund
- XXIII. Migori County Ward Development Fund.

5. Kisii

- I. Gusii Water and Sanitation Company Limited (Gwasco/Kwasco)
- II. Kisii Municipality
- III. Etago Sub-County Hospital
- IV. Gesusu Sub-County Referral Hospital
- V. Gucha Sub County Referral Hospital
- VI. Ibacho Sub-County Hospital
- VII. Ibeno Sub-County Referral Hospital
- VIII. Iranda Sub County Referral Hospital

- IX. Kisii County Health Facilities Improvement Fund
- X. Fund, Kisii Demonstration Farms Fund
- XI. Kisii County Emergency Fund
- XII. Kisii Mortgage & Car Loan (Executive) Fund
- XIII. Kisii County Climate Change Fund
- XIV. Kisii County Bursary Fund
- XV. Kisii County Covid-19 Emergency Fund
- XVI. Kisii County Veterinary Services Development

6. Machakos

- I. Mavoko Water and Sanitation Company Limited (Mavwasco)
- II. Machakos Municipal Water and Sewerage Company Limited (Macwasco)
- III. Mwala Water and Sanitation Company Limited
- IV. Matungulu Water and Sewerage Company (Makawasco)
- V. Kathiani Water and Sanitation Company Limited
- VI. Yatta Water Services Company Limited (Yawasco)
- VII. Mavoko Municipality
- VIII. Machakos Municipality
- IX. Kangundo/Tala Municipality
- X. Kalama Level 4 Level 4 Hospital
- XI. Kangundo Sub-County Hospital Level 4 Hospital
- XII. Kathiani Sub-County Hospital Level 4 Hospital
- XIII. Kimiti Level 4 Hospital Level 4 Hospital
- XIV. Masinga Sub-County Hospital Level 4 Hospital
- XV. Matuu District Hospital Level 4 Hospital
- XVI. Mavoko Level 4 Hospital Level 4 Hospital
- XVII. Mutituni Level 4 Hospital Level 4 Hospital
- XVIII. Mwala Subcounty Hospital Level 4 Hospital
- XIX. Ndithini Level 4 Hospital Level 4 Hospital
- XX. Machakos County Referral Hospital Level 5 Hospital
- XXI. Machakos County Bursary Fund
- XXII. Machakos County Emergency Fund
- XXIII. Machakos County Executive and Chief Officers Car Loan and Mortgage Scheme

7. Baringo

- I. Kirandich Water and Sanitation Company Limited
- II. Eldama Ravine Water and Sewerage Company Limited (Erawasco)
- III. Chemususu Water Company Limited
- IV. Municipality Of Kabarnet
- V. Marigat Sub-County Level 4 Hospital
- VI. Kabartonjo Level 4 Hospital

- VII. Baringo County Referral Hospital
- VIII. Eldama Ravine Level 4 Hospital
- IX. Chemolingot Level 4 Hospital
- X. Baringo County Executive Car Loan Scheme Fund
- XI. Baringo County Executive Mortgage Scheme Fund
- XII. Baringo County Emergency Fund
- XIII. Baringo Cooperative Development Fund
- XIV. Baringo County Bursary and Scholarship Fund,
- XV. Baringo County Climate Change Fund,
- XVI. Baringo County Micro and Small Enterprises Fund And
- XVII. Baringo County Community Conservation Fund

8. Isiolo

- I. Isiolo Municipality
- II. Isiolo County Referral Hospital
- III. Financing Locally-Led Climate Action Programme (Flloca)
- IV. Isiolo County Education Bursary Fund

9. Busia

- I. Busia Water and Sewerage Services Company Limited
- II. Busia Municipality
- III. Malaba Municipality
- IV. Alupe Sub County Hospital
- V. Busia County Referral Hospital
- VI. Teso North Sub County Hospital
- VII. Nambale Sub County Hospital
- VIII. Busia Agricultural Development Fund
- IX. Busia County Alcoholic Drinks Control Fund
- X. Busia County Climate Change Fund
- XI. Busia County Cooperative Enterprise Development Fund
- XII. Busia County Public (Officers) Revolving Fund

10. Kakamega

- 1. Kakamega County Water and Sewerage Company Limited
- 2. Kakamega County Rural Water and Sewerage Company Limited
- 3. Mumias Municipality
- 4. Kakamega Municipality
- 5. Navakholo Sub- County Hospital
- 6. Malava Sub- County Hospital
- 7. Matungu Sub- County Hospital
- 8. Butere County Hospital
- 9. Kakamega County Referral Hospital
- 10. Manyala Sub- County Hospital
- 11. Kakamega County Climate Change Fund

12. Kakamega County Alcoholic Drinks Control Fund
13. Kakamega County Emergency Fund
14. Kakamega County Investment and Development Agency

11. Bungoma

- I. Bungoma Water and Sewerage Company Limited.
- II. Bungoma Municipality
- III. Kimilili Municipality
- IV. Bungoma County Referral Hospital
- V. Bumula Sub-County hospital
- VI. Kimilili Sub-County Hospital
- VII. Mt. Elgon Sub-County Hospital
- VIII. Bursary Fund
- IX. Climate Change Fund
- X. Disaster And Emergency Management Fund
- XI. Persons With Disabilities Empowerment Fund
- XII. Trade Development Loan Fund
- XIII. Youth And Women Empowerment Fund

12. Kitui

- I. Kitui Water and Sanitation Company
- II. Kiamberemwingi Water and Sanitation Company
- III. Kitui County Referral Hospital
- IV. Mutomo Sub-County Hospital
- V. Mwingi Level 4 Hospital
- VI. Ikanga Sub-County Hospital
- VII. Tseikuru Sub-County Hospital
- VIII. Kitui County Textile Center
- IX. Kitui County Empowerment Fund

13. Siaya

- I. Sibo Water and Sanitation Company Ltd
- II. Bondo Municipality
- III. Siaya Municipality
- IV. Ugunja Municipal Board
- V. Ambira Level 4 Hospital
- VI. Bondo Level 4 Hospital
- VII. Got Agulu Sub County Level Hospital
- VIII. Siaya County Referral Hospital
- IX. Siaya County Bursary Fund
- X. Siaya County Climate Change Fund

14. Laikipia

- I. Nyahururu Water and Sanitation Company Limited
- II. Nanyuki Water and Sanitation Company
- III. Municipality Of Nanyuki
- IV. Municipality Of Rumuruti
- V. Nanyuki Teaching and Referral Hospital
- VI. Doldol Level 4 Hospital
- VII. Rumuruti Sub-County Hospital
- VIII. Nyahururu County Referral Hospital
- IX. Emergency Fund
- X. Bursary Fund
- XI. Assets Leasing Fund
- XII. Business Stimulus Fund
- XIII. Climate Change Fund - Flloca
- XIV. Laikipia County Cooperative Fund.
- XV. County Revenue Board
- XVI. County Development Authority

15. Turkana

- I. Lodwar Water and Sanitation Company Limited
- II. Kakuma Municipality
- III. Lodwar Municipality
- IV. Lodwar County Referral Hospital
- V. Lokiatung Sub-County Level 4 Hospital
- VI. Lopiding Sub-County Level 4 Hospital
- VII. Turkana County Executive Car Loan and Mortgage Fund
- VIII. Turkana County Climate Change Fund
- IX. Turkana County Co-Operative Development Enterprise Fund
- X. Turkana County Education Fund
- XI. Turkana County Emergency Fund

16. Narok

- I. Narok Water and Sewerage Services Company Limited (Narwassco)
- II. Kilgoris Municipality
- III. Narok Municipality
- IV. Narok County Referral Hospital
- V. Maasai Mara Community Support Fund
- VI. Alcoholics Drinks Regulation and Control Fund
- VII. Bursary Management Fund

17. Uasin Giishu

- I. Eldoret Water and Sanitation Company Limited (Eldowas)
- II. Municipality Of Eldoret (Now City of Eldoret)

- III. Huruma Level 4 Hospital
- IV. Turbo Level 4 Hospital
- V. Uasin Gishu District Hospital
- VI. Mortgage And Car Loans Scheme Fund
- VII. Alcoholic Drinks Control Fund
- VIII. Cooperative Enterprise Development Fund
- IX. Education Revolving Fund
- X. Bursary And Skills Development Support Fund

18. Nairobi

- I. Nairobi City Water and Sewerage Company Limited
- II. Bahati Level 4 Hospital
- III. Mutuini Dagoretti Level 4 Hospital
- IV. Mama Margaret Uhuru Level 5 Hospital
- V. Mbagathi County Referral Hospital
- VI. Mama Lucy Kibaki-Level 5 Hospital
- VII. Nairobi City County Alcoholic Drinks Control and Licensing Board

19. Meru

- I. Meru Water and Sewerage Services Company (Mewass)
- II. Meru County Rural Water and Sanitation Company (Mewsc)
- III. Meru Municipality
- IV. Maua Municipality
- V. Meru Teaching and Referral Hospital (Mtrh)
- VI. Miathene Sub-County Hospital
- VII. Nyambene Sub-County Hospital
- VIII. Meru County Revenue Board (Mcrb)

20. Trans-Nzoia

- I. Trans Nzoia Water and Sewerage Company Limited.
- II. Kitale Municipality
- III. Kitale County Referral Level 4 Hospital
- IV. Wamalwa Kijana Teaching and Referral Hospital
- V. Trans Nzoia County Climate Change Fund
- VI. Trans Nzoia County Nawiri Fund
- VII. Trans Nzoia County Youth and Women Development Fund
- VIII. Trans Nzoia County Elimu Bursary Fund
- IX. Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund

21. Nakuru

- I. Nakuru Water and Sanitation Company Limited
- II. Nakuru Rural Water and Sanitation Company Limited
- III. Naivasha Water and Sanitation Company Limited

- IV. Gilgil Municipality
- V. Molo Municipality
- VI. Nakuru City
- VII. Naivasha Municipality
- VIII. Nakuru County Referral And
- IX. Teaching Hospital
- X. Naivasha Sub-County Level 4 Hospital
- XI. Gilgil Sub-County Level 4 Hospital
- XII. Nakuru County Bursary Fund
- XIII. Nakuru County Climate Change Fund
- XIV. Nakuru County Emergency Fund

22. Kilifi

- I. Kilifi Municipality
- II. Malindi Municipality
- III. Mariakani Municipality
- IV. Mtwapa Municipality
- V. Watamu Municipality
- VI. Kilifi County Climate Change Fund
- VII. Kilifi County Emergency Fund
- VIII. Kilifi County Health Services Improvement Fund
- IX. Kilifi County Microfinance (Wezesha) Fund/board
- X. Kilifi County Ward Scholarship Fund
- XI. Bamba Sub-County Hospital
- XII. Gede Sub County Hospital
- XIII. Jibana Sub District Hospital
- XIV. Kilifi County Hospital
- XV. Malindi District Hospital
- XVI. Marafa Sub County Hospital
- XVII. Mariakani District Hospital
- XVIII. Mtwapa Sub County Hospital
- XIX. Rabai Sub County Hospital
- XX. Kilifi Mariakani Water and Sewerage Co.
- XXI. Malindi Water and Sewerage Co.
- XXII. Kilifi County Assembly Members Mortgage and Car Loan Scheme Fund
- XXIII. Kilifi County Car Loan and Mortgage Scheme Fund

23. Kericho

- I. Kericho County Executive Staff Car Loan Fund
- II. Kericho County Executive Staff Mortgage Fund
- III. Kericho County Emergency Fund
- IV. Kericho County Executive
- V. Financing Locally Led Climate Change Action (FLLoCA) - Kericho
- VI. Kericho County Agricultural Development
- VII. Kericho County Alcoholic Drinks Fund

- VIII. Kericho County Bursary Fund
- IX. Kericho County Enterprise Fund
- X. Forttenan Sub District Hospital
- XI. Kapkatet District Hospital
- XII. Kericho District Hospital
- XIII. Kipkelion Sub District Hospital
- XIV. Londiani District Hospital
- XV. Roret Sub-District Hospital
- XVI. Sigowet Sub-District Hospital
- XVII. Kericho Water and Sanitation Co. Ltd

24. The Committee considered and adopted the Report on the summary of key audit findings in the Auditor-General Reports for Water Companies, Municipalities, Hospitals and funds for the financial year 2024/2025

Committee resolution

The Committee unanimously adopted the aforementioned reports and directed the secretariat to process for tabling of the same.

MIN. NO. SEN/CPICSF/385/2026 ANY OTHER BUSINESS

There was no any other business.

MIN. NO. SEN/CPICSF/386/2026 DATE OF NEXT MEETING & ADJOURNMENT

The Chairperson adjourned the meeting at nineteen minutes to eleven o'clock in the morning. The next meeting would be called on notice.

SIGNED: DATE:31.03.2026.....

(CHAIRPERSON: SEN. GODFREY ATIENO OSOTSI, CBS, MP.)