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THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

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Hon. Speaker
You may approve for tabling
M. Nyegenye, C.B.S.,
Clerk of the senate/secretary, PSC
Date: 31/03/26

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS 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 (1st JULY, 2024 TO 30th JUNE, 2025):

PAPERS LAID	
DATE	31/03/2026
TABLED BY	SEN. OSOFSI
COMMITTEE	
CLERK AT THE TABLE	WILIAN

MARCH 2026

DC-EG
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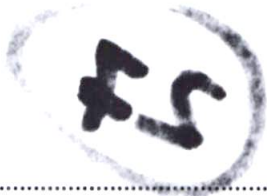


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ACRONYMS/ABBREVIATION

Acronym	Meaning
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
HDU	High Dependency Unit
ICU	Intensive Care Unit
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
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

Parliamentary Committees are a creation of the Constitution through Article 124(1) of the Constitution, which empowers each House of Parliament to establish Committees and make Standing Orders (SO) for the orderly conduct of its proceedings, including the proceedings of its committees. 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 county funds, within six months after the end of each financial year.

This report presents a summary of the key findings and recommendations arising from the consideration of Auditor-General's reports on the water companies, municipalities, hospitals and funds across the 47 counties in Kenya for the Financial Year 2024/2025. The summary highlights weaknesses in financial management, high Non-Revenue Water (NRW), use of outdated Water Tariffs, long outstanding receivables, long outstanding payables, long outstanding receivables, transfer of ownership of various entity assets, lack of operational autonomy in municipalities, Non-Compliance with the Facilities Improvement Financing (FIF) Act, 2023, and poor financial reporting practices.

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. CPA. 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 | - Media Relations officer. |
| 15. Mr. Victor Kimani | - Audio officer- |
| 16. Mr. Fredick Okola | - Serjent-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 the water companies, municipalities, hospitals and funds for the Financial year 2024/2025 as the primary documents for the investigations. The Committee invited the Governors as the Chief Executive Officers of their respective County Governments pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under consideration. In some instances, the Committee relied on the written management responses for the various county entities.

The Committee received both written and oral evidences from the Governors in response to the various audit queries raised by the Auditor-General in the reports for the water companies, municipalities, hospitals and funds under consideration.

In addition, Article 229(8) of the Constitution of Kenya requires that within three months after receiving an audit report, Parliament or the county assembly shall debate and consider the report and take appropriate action. It is on this backdrop, that the Senate County Public Investment and Special Funds Committee, established under Standing Order 194 of the Senate Standing Orders examined the audited reports for the water companies, municipalities, hospitals and funds and provide a summary report.

This summary report is a compilation of the cross-cutting audit issues arising from the report of the Auditor General on financial statements of Water companies, municipalities, hospitals and funds for the year ended 30 June, 2025.

ACKNOWLEDGEMENTS

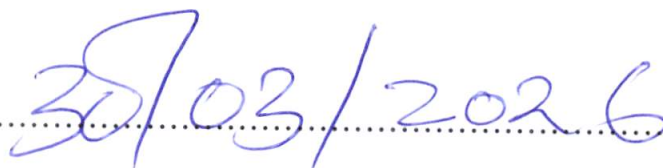
The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in considering the audit reports. The Committee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



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

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 and acknowledgement.

CHAPTER ONE is a summary of the Key Audit findings across the water companies and the General Committee recommendations. The issues are drawn from the Auditor General's statutory reports; this chapter categorizes systemic issues ranging from financial irregularities to operational inefficiencies. The chapter highlights the recurring themes and material weaknesses that underscore the broader challenges facing the water companies.



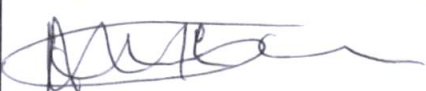


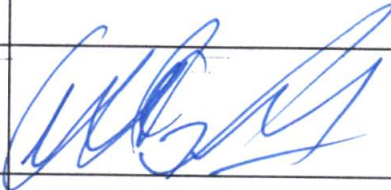
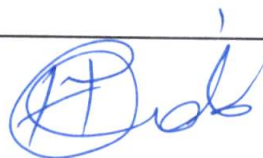
CHAPTER TWO is a summary of the Key Audit findings across the municipalities and the General Committee recommendations. The issues are drawn from the Auditor General's statutory reports, this chapter categorizes systemic issues ranging from financial irregularities to operational inefficiencies. The chapter highlights the recurring themes and material weaknesses that underscore the broader challenges facing the municipalities.

CHAPTER THREE is a summary of the Key Audit findings across the hospitals and the General Committee recommendations. The issues are drawn from the Auditor General's statutory reports, this chapter categorizes systemic issues ranging from financial irregularities to operational inefficiencies. The chapter highlights the recurring themes and material weaknesses that underscore the broader challenges facing the hospitals.

CHAPTER FOUR is a summary of the Key Audit findings across the County established funds and the General Committee recommendations. The issues are drawn from the Auditor General's statutory reports, this chapter categorizes systemic issues ranging from financial irregularities to operational inefficiencies. The chapter highlights the recurring themes and material weaknesses that underscore the broader challenges facing the funds.

ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS 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 (1st JULY, 2024 TO 30th JUNE, 2025).

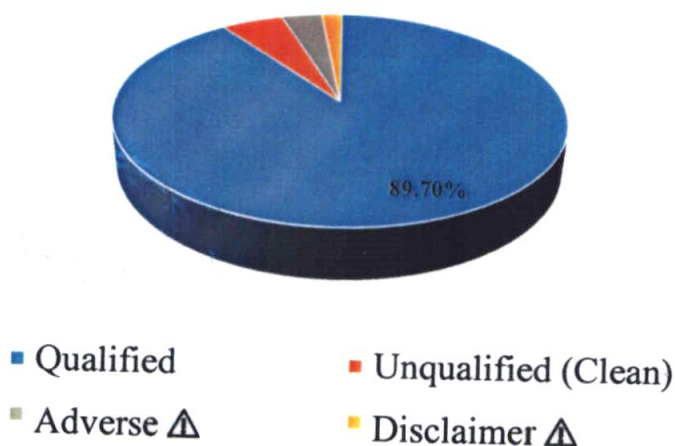
We, the undersigned Members of the Select Committee on County Public Investments and Special Funds, do hereby append our signatures to adopt this report.

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 COMPANIES

Most of the water companies that were interrogated by the Committee received a qualified audit opinion (89.2%), 5.2% received unqualified audit opinion. 2% received adverse opinion while 1.7% of the water companies received Disclaimer audit opinion. The Chart below shows the distribution of water companies according to their audit opinions.

Audit Opinions of the various water companies



The table with various water companies and their respective audit opinions is attached as *annex 1*.

KEY AUDIT FINDINGS

The Committee observed a number of cross-cutting issues which require urgent intervention as they have significant implications on sustainability of water and sanitation services by the Water Companies, hence cases of over reliance on the support of the county Governments. They include:

1. Material uncertainty related to going concern due to persisted losses and negative working capital
 2. High rates of non-revenue water loss allowances beyond the 25% allowed limit yielding to loss of revenue
 3. Long outstanding receivables from Water sales which affects liquidity ratios impacting on the ability of the entities to discharge their short-term obligations effectively
 4. Inaccuracies in the Financial Statements and unsupported balances and expenses accounted by capacity related issues and professional negligence by the accounts and finance officers
 5. Use of outdated Water Tariffs which impedes increased revenue collection for fear of losing political good will from the citizens
 6. Transfer of ownership of Water Companies
 7. Non-settlement of liabilities including statutory deductions
- Failure to account for Water inventory held in reservoirs and pipelines at

- close of the year.
9. Lack of debt management policy bloating up the payables thereby affecting liquidity of the entities
 10. Noncompliance with minimum requirement on employee ethnic
 11. Failure to meet recruitment thresholds for persons with disabilities
 12. Failure to adhere to one third rule on basic salary
 13. Unresolved prior audit queries which recurred in the subsequent audit cycles
 14. Use of customer deposits without the approval of the County Assembly and the Board, exceeding the 5% allowable limit and for non- operational expenses
 15. Incomplete asset registers

1. Material uncertainty related to going concern

The Committee observed that a number of water companies registered negative working capital which adversely affected their financial performance and was mainly attributed to a number of factors such as; inability to realize full revenue potential due to high rate of water loss through non- revenue water, low metering ratio which means that significant volume of water is consumed but not metered, use of outdated pricing regime resulting to inability of the companies to fully recover their operation and maintenance costs and high cost of operations and maintenance that fail to match revenue generated.

The Committee noted that during the year under review, examination of audited reports revealed that Tavevo Water and Sewerage Company Limited (Taita Taveta County) and Nairobi City Water and Sewerage Company Limited recorded the highest losses of **Kshs. 142,048,709** and **Kshs. 236,496,853** respectively, with Nairobi City Water and Sewerage Company limited recording the highest negative working capital of **Kshs. 2,473,159,974**.

An analysis of the trend reveals significant increases in negative working capital for several entities, notably Nairobi City Water and Sewerage Company limited, which saw its negative position worsen by over Kshs. 1 billion, and Tavevo Water and Sewerage Company limited, which increased from Kshs. -331 million to Kshs. -532 million.

Conversely, some companies achieved reductions in their negative working capital, such as Nakuru Water and Sanitation Services Company Ltd, which improved its position from Kshs. -224 million to Kshs.-58 million, and Bomet Water, which saw a slight reduction from Kshs. -27.1 million to Kshs -24.2 million, however the water company has been making losses for the three (3) consecutive years since the financial year 2022/2023.

The Committee concluded that the continued operation of these water companies as going concerns is heavily reliant on financial support from creditors and the respective County Governments. In this context, the observed negative liquidity positions across the sector serve as a clear indicator of material uncertainties regarding the companies'

ability to meet their financial obligations and sustain operations in the foreseeable future. The persistence of such financial challenges underscores the urgent need for strategic interventions, including enhanced revenue collection, effective cost management, and timely settlement of statutory and supplier obligations, to safeguard the viability of these entities. The following table reflects the financial position of various entities, with negative working capital figures presented as absolute negative values.

Table 1.0 Negative Working capital

S/No	Name of Entity	Deficit (Kshs.)	Current Assets (Kshs.)	Current Liabilities (Kshs.)	Negative Working Capital FY 2024/2025 (Kshs.)	FY 2023/2024 NWC (Kshs.)
1	Limuru Water and Sewerage Company Limited	-24,754,238	39,286,601	198,343,269	-159,056,668	-126,096,810
2	Nakuru Rural Water and Sanitation Company Limited	-34,718,022	276,401,131	538,337,147	-261,936,016	-145,970,488
3	Nairobi City Water and Sewerage Services Company Limited	-236,496,853	4,726,176,551	7,199,336,525	-2,473,159,974	-1,461,876,938
4	Nolturesh Water and Sanitation Company Limited	-21,389,101	91,826,307	336,544,448	-244,718,141	-223,649,814
5	Nyahururu Water and Sanitation	-1,813,587	154,586,296	209,124,692	54,538,396	-93,205,183

S/ No	Name of Entity	Deficit (Kshs.)	Current Assets (Kshs.)	Current Liabilities (Kshs.)	Negative Working Capital FY 2024/2025(Kshs.)	FY 2023/2024 NWC(Kshs.)
	Company Limited					
6.	Bomet Water and Sanitation Company Limited	-1,956,505	275,655,122	299,876,124	-24,221,002	-27,111,403
7.	Eldama Ravine Water and Sewerage Company Limited	-2,191,737	52,471,206	92,348,877	-39,877,671	-37,400,171
8	Githunguri Water and Sanitation Company Limited	-34,620,096	81,512,930	294,472,759	-212,959,829	-171,596,390
9	Kiambu Water and Sewerage Company Limited	-	262,707,266	326,928,484	-64,221,218	-51,098,680
10	Kikuyu Water Company Limited	-	71,906,646	192,009,106	-120,102,460	-77,568,386
11	Lodwar Water and Sanitation Company Ltd	-9,039,097	45,458,263	94,938,880	-49,480,617	47,964,799
12	Migori Water and Sanitation Company Limited	-9,260,894	61,410,926	94,804,687	-33,393,761	-27,303,385
13	Muranga South Water and Sanitation Company Ltd	-161,151	187,232,143	235,972,424	-48,740,281	-100,159,435
14	Nakuru Water and Sanitation Services Company Ltd	-	1,363,752,014	1,422,337,929	-58,585,915	-224,970,199
15	Nyandarua Water and Sanitation Company Limited	-9,949,903	35,030,571	49,257,142	-14,226,571	-2,233,700

S/No	Name of Entity	Deficit (Kshs.)	Current Assets (Kshs.)	Current Liabilities (Kshs.)	Negative Working Capital FY 2024/2025 (Kshs.)	FY 2023/2024 NWC (Kshs.)
16	Oololaiser Water and Sewerage Company Limited	-	150,568,404	409,291,831	-258,723,427	-263,940,681
17	Tavevo Water and Sewerage Company Limited	- 142,048,709	553,772,749	1,086,547,602	-532,774,853	-331,581,001
18	Elwak Water and Sewerage Company Limited	-13,379,550	1,329,772	10,324,456	-8,994,684	-7,842,996
19	Meru County Rural Water and Sanitation Company Limited	-4,462,816	45,976,754	-69,290,104	-23,313,350	-6,911,961
	TOTAL	- 546,242,259	8,477,061,652	13,021,506,278	- 4,573,948,042	- 3,332,552,822

2. High Rate of Non-Revenue Water

The Committee observed that a number of water companies had registered high non-revenue water above the sector benchmark of 25% as per WASREB guidelines. The Committee observed that the main causes of the non-revenue water was due to illegal connections, Use of flat rates to bill water consumed, leakages from dilapidated water infrastructure that had not replaced due to low funding and faulty water meters.

Further, the Committee noted that a number of water companies did not maintain records of the volume of water produced as there were no master meter installed in the intake points. Consequently, it was not possible to establish the acceptance non-revenue water levels despite the financial statements reflecting operating revenues from sale of water.

The unbilled portion of water translates to a total potential lost revenue of **Kshs. 15,633,051,377** across the examined entities. This massive loss of revenue severely compromises the ability of these companies to maintain infrastructure and discharge their mandates effectively.

The following water companies recorded the highest **Non-Revenue Water (NRW)** compared to the sector benchmark threshold of 25%:

Table 2.0 Highest NRW

S/No	Water Company	Non-Revenue Water (%)	Loss of Sales (Kshs.)
1	Nolturesh Water and Sanitation Company Ltd	80%	11,964,869
2	Gulf Water Services Company Ltd	71%	414,235
3	Nyanas Water and Sanitation Company Ltd	64%	43,824,038
4	Bomet Water and Sanitation Company Ltd	63%	61,445,775
5	Tana Water and Sanitation Company Ltd	61%	50,171,427
	TOTAL		167,820,344

It is important to note that reducing Non-Revenue Water (NRW) would have a significant positive impact on the financial health of water companies. For those currently operating with negative working capital and incurring losses, minimizing NRW would increase cash flows, enhance liquidity, and improve operational sustainability. By converting lost water into billable revenue, companies could reduce losses, move towards profitability, and better meet their financial obligations. Additionally, lowering NRW would bring these entities closer to the sector benchmark of 25%, demonstrating greater efficiency, sound governance, and improved service delivery.

Further the Committee noted that **Kakamega Rural Water and Sanitation Company Ltd** used unrecommended Tariff Structure. The company was billing customers using a tariff that was meant for Busia Water and Sanitation Company Ltd contrary to regulation 45(1) of the Water Act, Regulations 2016, which requires that a licensed water service provider shall implement the tariff approved and gazetted by the Regulatory Board for the prescribed period.

Eldoret Water and Sanitation Company Limited had nineteen thousand, eight hundred and sixty-two (19,862) active meters which were not billed. This gap may

indicate weaknesses in the billing system, meter reading processes, or customer account management, suggesting potential inefficiencies or control lapses. Over time, prolonged non-billing can lead to accumulated arrears, making recovery more difficult and potentially straining customer relations.

Table 3.0 below gives an overview of revenue loss as a result of the high rates of water not accounted for the sampled entities.

Table 3.0: Revenue loss

S.No	Entity Name	Water Produced M3	Water Billed M3	Non -Revenue Water M ³	Loss of Sales (Kshs.)
1	Garissa Water and Sewerage Company Limited	4,927,213	3,041,527	1,885,686	190,536,498
2	Limuru Water and Sewerage Company Limited	2,139,886	1,368,598	771,288	88,698,120
3	Nakuru Rural Water and Sanitation Company Limited	6,061,654	3,971,482	3,112,910	339,307,190
4	Ngagaka Water and Sanitation Company Limited	1,442,361	952,834	489,527	25,162,843
5	Ngandori Water and Sanitation Company Limited	2,340,094	1,613,477	726,617	41,520,622
6	Nithi Water and sanitation Company Limited	2,662,811	1,191,371	1,471,440	125,097,372
7	Nairobi City Water and Sewerage Company Limited	215,292,106	108,383,164	106,908,942	11,961,024,350

S.No	Entity Name	Water Produced M3	Water Billed M3	Non -Revenue Water M ³	Loss of Sales (Kshs.)
8	Nolturesh Water and Sanitation Company Ltd	3,024,000	612,352	2,411,648	11,964,869
9	Nyahururu Water and Sanitation Company Limited	2,951,680	1,866,541	1,085,138	108,871,896
10	Othaya Mukurweini Water and Sanitation Company Ltd	6,990,634	2,966,813	4,023,821	312,433,748
11	Trans-Nzoia County Water and Sanitation Company Limited	3,669,674	2,020,816	1,648,858	90,687,190
12	Marsabit Water and Sewerage Company Limited	109,956	65,972	43,984	16,094,144
13	Embu Water and Sanitation Company Limited	6,937,041	4,496,634	2,440,407	209,875,002
14	Embe Water and Sanitation Company Limited	1,095,384	519,911	575,473	31,220,479
15	Amatsi Water Services Company Limited	2,551,161	1,433,843	1,117,318	89,184,536
16	Bomet Water and Sanitation Company Limited	1,296,892	477,615	819,277	61,445,775
17.	Busia Water and Sewerage Services Company Limited	644,805	368,538	276,267	15,950,924
18.	Eldama Ravine Water and Sewerage Company Limited	1,793,329	816,778	976,551	32,519,148
19.	Eldoret Water and Sanitation Company Limited	15,442, 959	9,520,106	5,922,853	373,139,705
20.	Gatundu Water and Sanitation Company Limited	3,741,896	2,266,154	1,475,742	123,519,605

S.No	Entity Name	Water Produced M3	Water Billed M3	Non -Revenue Water M ³	Loss of Sales (Kshs.)
21.	Githunguri Water and Sanitation Company Limited	1,409,956	581,565	828,391	67,099,671
22.	Karuri Water and Sanitation Company Limited	1,853,767	1,086,159	767,608	55,693,184
23.	Kiambu Water and Sewerage Company Limited	3,536,533	2,387,565	1,148,968	135,137,182
24.	Gulf Water Services Company Limited	893,795	256,111	637,684	414,235
25.	Lodwar Water and Sanitation Company Ltd	969,016	488,341	480,675	31,778,094
26	Migori Water and Sanitation Company Ltd	640,004	363,325	276,679	16,562,005
27	Muranga South Water and Sanitation Company Ltd	4,303,958	2,647,543	1,656,415	175,917,599
28	Muranga West Water and Sanitation Company Ltd	2,647,458	1,473,087	1,274,371	64,590,405
29	Naromoru Water and Sanitation Company Ltd	358,460	256,195	102,265	7,669,895
30	Nyanas Water and Sanitation Company Ltd	1,149,971	351,980	740,492	43,824,038
31	Nyandarua Water and Sanitation Company Limited	731,896	448,855	283,041	21,262,496
32	Oloolaiser Water and Sewerage Company Limited	1,919,552	980,036	939,516	164,375,587
33	Tana Water and Sanitation Company	700,933	272,703	428,230	50,171,427

S.No	Entity Name	Water Produced M3	Water Billed M3	Non -Revenue Water M ³	Loss of Sales (Kshs.)
34	Tavevo Water and Sewerage Company Limited	5,767,858	2,871,077	2,896,781	388,654
35	Meru County Rural Water and Sanitation Company Ltd	1,332,624	825,627	506,997	45,627,730
36	Thika Water and Sewerage Company Limited	15,331,819	9,965,682	5,366,137	268,306,850
37	Kapsabet Nandi Water and Sanitation Company Limited	1,238,156	774,127	464,029	59,730,783
38	Iten Tambach Water and Sewerage Company Limited	731,443	515,032	216,411	14,599,086
39	Nanyuki Water and Sanitation Company Limited	4,016,462	2,976,601	1,039,861	82,149,019
40	Kakamega County Rural Water and Sanitation Company Ltd	333,536	221,157	112,378	5,558,781
41	Elwak Water and Sewerage Company Limited	113,436	72,223	41,213	4,945,560
42	Narok Water and Sewerage Services Company Limited	1,292,226	863,625	428,601	55,718,130
43	Samburu Water and Sanitation Company Limited	411,497	245,848	165,649	13,276,950
	TOTAL				15,633,051,377

3. Unaccounted/Unauthorized use of Customer Deposits

During the examination of audited reports for the water entities, the committee observed that twenty-six (26) water Companies irregularly spent customer deposits money to fund operational expenses without the approval of Board of Directors.

Using customer deposits for operations is a major risk as it hinders the ability of companies to issue refunds upon request. The deposit money is refundable on demand for those terminating their service contracts with the water companies without outstanding bills.

The total unauthorized amounts reported across the 26 water companies for the current year under review (2024/2025) amount to **Kshs. 1,674,550,205**, highlighting significant concerns regarding the management of customer deposits and other funds.

Comparing current year figures with the previous year indicates varying trends across water companies. For instance, **Nakuru Rural Water and Sanitation Company Limited** recorded a reduction in unauthorized use of customer deposits from **Kshs. 47,023,602** in the prior year (2023/2024) to **Kshs. 23,019,121**, suggesting some improvement in financial controls or recovery of prior used customer deposits.

Conversely, **Nithi Water and Sanitation Company Limited** shows a dramatic decrease from **Kshs. 19,255,780** to **Kshs. 358,213**, which may reflect either a successful rectification of past misappropriations or improved monitoring of customer deposits.

Kyeni Water and Sewerage Company Limited showed a sharp upward trend, with unauthorized use of customer deposits increasing from **Kshs. 2,930,956** in the previous year to **Kshs. 7,544,006** in the current year.

On the other hand, **Nairobi City Water and Sewerage Company Limited** reported substantial unauthorized usage of customer deposits of **Kshs. 1,309,078,313**, indicating persistent or systemic challenges in safeguarding deposits and revenue collection.

The Committee further observed that **Eldoret Water and Sanitation Company Limited** installed one thousand three hundred and twenty-two (1,322) new meter connections; however, no deposits were collected from these new connections. This implies that the company is exposed to significant revenue risk, as the 1,322 new meter connections installed without collecting customer deposits leave the company without financial safeguards against non-payment. It is important to note that Customer deposits are essential for securing potential arrears, ensuring accountability, and supporting sustainable cash flow. Failure to collect them not only creates immediate revenue leakage but also undermines financial controls and compliance with regulatory requirements. Over time, this practice can distort financial reporting, weaken the company's ability to fund operations and infrastructure maintenance, and erode public confidence in its management of customer funds.

The unauthorized spending and unaccounted customer deposits in the Financial Year 2025/24 is illustrated with examples in table 4.0 below.

Table 4.0: Unauthorized Use of Customer Deposits

S/No	Water Company	Unauthorized Amount (Kshs.)
1	Kapenguria Water and Sewerage Company Limited	1,973,400
2	Kitui Water and Sanitation Company Limited	19,652,763
3	Nakuru Rural Water and Sanitation Company Limited	23,019,121
4	Ngandori Water and Sanitation Company Limited	2,654,090
5	Nithi Water and Sanitation Company Limited	358,213
6	Nolturesh Water and Sanitation Company Limited	2,646,755
7	Nairobi City Water and Sewerage Company Limited	1,309,078,313
8	Embu Water and Sanitation Company Limited	88,814,442
9	Embe Water and Sanitation Company Limited	6,152,516
10	Amatsi Water Services Company Limited	16,090,575
11	Bomet Water and Sanitation Company Limited	3,576,100
12	Busia Water and Sewerage Services Company Limited	9,614,353
13	Kikuyu Water Company Limited	21,180,796
14	Gulf Water Services Company Limited	3,120,850
15	Mbooni Water and Sanitation Company Limited	178,109
16	Migori Water and Sanitation Company Limited	10,454,246
17	Nyanas Water and Sanitation Company Ltd	4,264,755
18	Nyandarua Water and Sanitation Company Limited	5,395,754
19	Oololaiser Water and Sewerage Company Limited	21,024,450
20	Tana Water and Sanitation Company	46,549,020
21	Tavevo Water and Sewerage Company Limited	32,047,594
22	Nanyuki Water and Sanitation Company Limited	6,329,883
23	Naivasha Water and Sanitation Company Limited	13,385,159
24	Kyeni Water and Sewerage Company Limited	7,544,006
25	Narok Water and Sewerage Services Company Limited	12,328,993
26	Samburu Water and Sanitation Company Limited	7,115,949
	TOTAL	1,674,550,205

4. Non-Compliance with the Law on Fiscal Responsibility – Excess Wage Bill

During the examination of the audited financial statements for the water companies for the financial year 2024/2025, the Committee observed that several water companies recorded personnel costs exceeding the allowable 35% of total operations and maintenance expenditures, contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

The assessment was based on the WASREB Corporate Governance Guidelines, 2018, Section 3.9(10), which stipulates that when determining staff remuneration, total personnel expenditure in each financial year must not exceed the benchmark set for the services sector nationally, ensuring that staff costs remain within 35% of operations and maintenance (O&M) costs.

The Committee observed that twenty-four (24) water companies recorded excessive wage bill totalling to **Kshs. 3,210,114,689** above the allowable 35%.

Notably, **Nairobi City Water and Sewerage Company Limited** had the highest excessive wage bill, with personnel costs exceeding the allowable threshold by **Kshs. 2,509,982,446**. Other counties with substantial excesses included **Eldoret Water and Sanitation Company Limited**, exceeding by **Kshs. 158,421,565**, **Nyeri Water and Sanitation Company Limited** by **Kshs. 90,859,638**, and **Embu Water and Sanitation Company Limited** by **Kshs. 42,387,158**. These significant overruns suggest potential overstaffing, inflated remuneration, or poor alignment of payroll with the operational capacity of the companies, posing risks to financial sustainability, service delivery, and public confidence in the management of water sector resources.

The details are illustrated in table 5.0 below.

Table 5: Excessive Wage Bill

S/No	Financial Statement	Amount of Staff cost (Kshs.)	Excess Percentage	Excess Staff Costs (Kshs.)
1	Garissa Water and Sewerage Company Limited	112,109,742	25%	60,152,823
2	Limuru Water and Sewerage Company Ltd	79,947,468	8%	16,831,045
3	Ngagaka water and Sewerage Company Ltd	26,113,171	15%	7,833,951
4	Kakamega County Water and Sanitation Company Ltd	51,102,509	14%	14,600,717
5	Nithi Water and Sanitation Company Limited	44,275,375	6%	7,379,229
6	Nairobi City Water and Sewerage Company Limited	6,965,434,797	20%	2,509,982,446
7	Nyahururu Water and Sanitation Company Limited	148,020,107	20%	53,825,493
8	Nyeri Water and Sanitation Company Limited	300,535,726	13%	90,859,638
9	Embu Water and Sanitation Company Limited	216,922,516	8.5%	42,387,158
10	Embe Water and Sanitation Company Limited	17,733,461	19%	6,876,240

S/No	Financial Statement	Amount of Staff cost (Kshs.)	Excess Percentage	Excess Staff Costs (Kshs.)
11	Bomet Water and Sanitation Company Limited	83,922,142	12%	19,366,648
12	Eldoret Water and Sanitation Company Limited	435,659,305	20%	158,421,565
13	Gatundu Water and Sanitation Company Limited	96,175,344	11%	22,998,451
14	Githunguri Water and Sanitation Company Limited	27,762,258	13%	7,518,944
15	Muranga South Water and Sanitation Company Ltd	131,900,471	9%	26,979,642
16	Muranga West Water and Sanitation Company Ltd	48,357,350	6%	7,076,685
17	Nyandarua Water and Sanitation Company Limited	25,260,664	15%	5,829,384
18	Oololaiser Water and Sewerage Company Limited	84,819,125	14%	24,234,036
19	Meru Water and Sanitation Company Limited	111,713,811	13%	33,773,942
20	Thika Water and Sewerage Company Limited	369,690,9532	2%	22,615,295
21	Nanyuki Water and Sanitation Company Limited	165,673,657	11%	39,617,613
22	Kyeni Water and Sewerage Company Limited	11,926,035	29%	5,861,949
23	Meru County Rural Water and Sanitation Company Limited	30,152,732	9%	6,167,604
24	Isiolo Water and Sanitation Company Limited	57,885,762	17%	18,924,191
	TOTAL	12,970,313,060		3,210,114,689

5. Long Outstanding Trade Receivables

Examination of Audit reports for the financial year 2024/25 by the Committee revealed that a number of water companies had huge amounts of receivable balances emanating from individuals, private and public institutions. The Committee noted that the trade receivable balances could not be supported by a detailed debtors aging analysis which would have guided on the most appropriate ways of collecting debts.

The significant balance of outstanding debtors is an indication of Management's inability to manage the debt portfolio which may result in bad debts and inability to

deliver services. Further, failure to collect amounts receivable contravenes Regulation 46 (1) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation states *that an Accounting Officer shall inform his or her responsible County Executive Committee Member immediately of any circumstances that are likely to affect materially the budgetary results either through revenue and expenditure or other receipts and payments of the county government entity.*

The analysis of outstanding receivables for the sampled water companies in FY 2024/2025 indicates a persistent and sector-wide challenge in revenue collection, with most entities recording **increasing or consistently high receivable balances**. Notably, **Nairobi City Water and Sewerage Company Ltd** reported a significantly high receivables balance of **Kshs 3,744,229,008** in FY 2024/2025, compared to **Kshs 3,777,119,443** in FY 2023/2024, reflecting only a marginal decline and signaling continued inefficiencies in debt recovery. Of particular concern is that **Kshs 442,116,064** of the outstanding amount is owed by government entities, including the **Ministry of Defence (Kshs 150 million)**, **National Police Service (Kshs 147 million)**, **State Department for Correctional Services (Kshs 75 million)**, and the **General Service Unit (Kshs 25 million)**, among other national government institutions.

This trend is also mirrored across other water companies such as **Eldoret Water and Sanitation Company Limited**, which recorded a substantial increase in receivables, and **Embu Water and Sanitation Company Limited**, which also reported rising balances, pointing to a systemic issue in the sector. Although a few entities like **Ngandori Water and Sanitation Company Limited** showed slight improvements, the overall pattern reflects **weak enforcement of debt collection policies**, particularly for public sector clients.

The accumulation of such significant receivables, especially from government institutions, adversely affects the **liquidity and operational capacity** of water companies, limiting their ability to meet statutory obligations, settle supplier payments, and maintain service delivery. This underscores the urgent need for **strengthened credit control mechanisms**, enforcement of inter-governmental payment frameworks, and enhanced follow-up on outstanding balances to improve cash flow and ensure financial sustainability across the sector.

Table 6.0 Outstanding Receivables

S/No	Name of the Water Company	Outstanding Receivables FY 2024/2025 (Kshs)	Outstanding Receivables FY 2023/2024 (Kshs)
1	Embu Water and Sanitation Company Limited	317,359,698	294,763,099
2	Embe Water and Sanitation Company Limited	79,947,468	16,831,045

3	Ngandori Water and Sanitation Company Limited	42,161,294	48,303,430
4.	Amatsi Water Services Company Limited	96,110,958	93,061,861
5.	Bomet Water and Sanitation Company Limited	273,688,221	237,152,765
6.	Busia Water and Sewerage Services Company Limited	207,403,181	150,768,307
7.	Eldama Ravine Water and Sewerage Company Limited	46,318,570	44,195,795
8.	Eldoret Water and Sanitation Company Limited	687,608,856	509,248,381
9.	Nakuru Water and Sanitation Services Company Ltd	904,320,543	914,790,607
10.	Muranga South Water and Sanitation Company Limited	131,410,582	79,445,847
11.	Ololaiser Water and Sewerage Company Limited	147,906,249	121,591,036
12.	Tavevo Water and Sewerage Company Ltd	348,266,514	341,364,633
13.	Naivasha Water and Sanitation Company Limited	182,654,369	175,125,476
14.	Narok Water and Sewerage Services Company Limited	110,478,767	85,080,998
15.	Meru Water and Sanitation Company Limited	66,341,726	58,795,625
16.	Nairobi City Water and Sewerage Company Limited	3,744,229,008	3,777,119,443
	TOTAL	7,386,206,004	6,947,638,348

6. Long Outstanding Trade and other payables

The audit of water companies revealed that several entities owe significant amounts to suppliers, service providers, and regulatory authorities, including long-outstanding bills, unpaid statutory deductions such as NSSF, NHIF, PAYE, and amounts due to the water works development authorities. The accumulation of these payables poses a risk of incurring unnecessary expenditures through interest, penalties, or litigation for failure to settle obligations within contractual timelines. Notably, the management of most water companies did not provide detailed plans for settling these debts, exacerbating the risk of financial mismanagement.

An examination of the trends between FY 2023/2024 and FY 2024/2025 shows mixed performance across the sector. For instance, **Embu Water and Sanitation Company Limited** saw a slight reduction in payables from Kshs 247.4 million to Kshs 222.1 million, suggesting some progress in clearing arrears. Conversely, **Nairobi City Water and Sewerage Company Limited** recorded an increase from

Kshs 5,344,030,050 in FY 2023/2024 to Kshs 5,858,016,648 in FY 2024/2025 and **Tavevo Water and Sewerage Company Limited** recorded a substantial increase from Kshs 943.9 million to Kshs 1.04 billion, highlighting growing liabilities that could affect operational sustainability. Companies such as **Bomet Water and Sanitation Company Limited** and **Busia Water and Sewerage Services Company Limited** also showed notable increases in payables, indicating sector-wide challenges in timely settlement of obligations.

Overall, the trend shows that outstanding payables remain a significant issue for nearly all water companies in the country, with some entities recording very high balances that contravene Regulation 41(2) of the Public Finance Management (PFM) Regulations, 2015, which mandates that unpaid commitments and pending bills from previous financial years should be treated as a first charge in the subsequent budgets. This highlights the urgent need for water companies to implement structured debt settlement plans, prioritize payments to suppliers and statutory bodies, and adopt effective financial management strategies to mitigate the risk of penalties, litigation, and operational disruption.

Table 7.0 Outstanding Payables

S/No	Name of the Entity	Outstanding Payables FY 2024/2025 (Kshs)	Outstanding Payable FY 2023/2024 (Kshs)
1	Embu Water and Sanitation Company Limited	222,123,328	247,360,296
2	Embe Water and Sanitation Company Limited	15,301,893	16,516,877
3.	Ngandori Water and Sanitation Company Limited	38,123,268	38,207,635
4.	Amatsi Water Services Company Limited	93,060,738	82,527,010
5.	Bomet Water and Sanitation Company Limited	273,863,030	242,161,421
6.	Busia Water and Sewerage Services Company Limited	188,144,220	164,776,509
7.	Eldama Ravine Water and Sewerage Company Limited	92, 348,877	84,506,730
8.	Eldoret Water and Sanitation Company Limited	297,298,943	328,180,238
9.	Muranga South Water and Sanitation Company Limited	146,570,253	131,322,943
10.	Nakuru Water and Sanitation Services Company Ltd	678,570,466	683,609,870

S/No	Name of the Entity	Outstanding Payables FY 2024/2025 (Kshs)	Outstanding Payable FY 2023/2024 (Kshs)
11	Oololaiser Water and Sewerage Company Limited	357,536,632	335,430,098
12	Tavevo Water and Sewerage Company Limited	1,041,721,551	943,899,142
13	Naivasha Water and Sanitation Company Limited	98,862,523	84,377,764
14	Narok Water and Sewerage Services Company Limited	72,658,715	57,653,886
15	Meru Water and Sanitation Company Limited	82,586,717	96,399,784
16	Nairobi City Water and Sewerage Company Limited	5,858,016,648	5,344,030,050
	TOTAL	9,281,239,313	8,578,875,445

7. Compliance to Reporting Standards and Accuracy of the Financial Statements

The Committee observed that during the year under review, the Auditor General raised several queries on the accuracy of the financial statements presented for audit. The Committee noted that the inaccuracies arose as a result of inadequate capacity of the preparers of financial statement whereby there were noted variances between reported amounts and balances in notes.

The Committee observed that Accountants experienced challenges in adapting to the International Public Sector Accounting Standards (IPSAS) reporting framework in preparation of financial statements. Additionally, the Committee observed that the Public Sector Accounting Standards Board (PSASB) reviews the IPSAS periodically, hence the need take into account emerging issues and conform to best accounting practices. The Committee found that some Water companies experienced challenges in the application of these standards while preparing financial statements as evidenced by the audit queries.

Failure to prepare accurate financial statements is a breach of Regulation 22(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officers shall, in accordance with Article 226(2) of the Constitution and Section 149(1) of the Act, be accountable to the County Assembly for measures taken to prepare the financial reports that reflect a true and fair financial position of the entity. Further, failure by the Companies to address the noted variances casts doubt on

the accuracy and authenticity of the reported balances and expenditure. It is also an indication of weak internal controls and governance in the affected entities.

8. Unresolved prior audit queries which recurred in the subsequent audit cycles

The Committee observed that prior year audit queries had not been resolved contrary to Section 149(2) (1) of Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding. There were also instances where no supporting evidence was provided to support how issues were resolved.

In addition, Section 53(1) of the Public Audit Act, 2015 requires an Accounting Officer of a state organ or public entity to within three months after Parliament has considered and made recommendations on the audit report –

- a. take the relevant steps to implement the recommendations of Parliament on the report of the Auditor-General; or
- b. give explanations in writing to Parliament on why the report has not been acted upon.

9. Non-remittance of statutory deductions

The audit of water companies revealed widespread non-compliance in the remittance of statutory deductions to institutions such as the Kenya Revenue Authority (KRA), National Health Insurance Fund (NHIF), National Social Security Fund (NSSF), and pension schemes. This failure contravenes the Income Tax Act, Cap.470, the Pensions Act, Cap.189, and the Retirement Benefits Act, Cap.197, and has resulted in the continued accrual of interest and penalties on the amounts owed. The issue is not only regulatory but also directly affects employees' rights, as several entities have delayed salary payments and accrued gratuities, leading to wage arrears that have persisted for extended periods.

For example, **Homa Bay County Water and Sanitation Company Ltd** reported **net salary arrears totaling Kshs 20,359,373**, outstanding for more than two years, which is contrary to **Section 18(2)(c) of the Employment Act, 2007**, stipulating that wages and salaries are due at the end of each month or part thereof. Similarly, **Migori Water and Sanitation Company Ltd** owes **Kshs 2,449,366** in unremitted statutory deductions for FY 2024/2025, representing amounts that should have been remitted on behalf of employees. Other water companies with unremitted statutory deductions include **Busia Water and Sewerage Services Company Limited** (Kshs 13,954,505) and **Nanyuki Water and Sanitation Company Limited** (Kshs 28,573,375).

This persistent **failure to remit statutory obligations** reflects systemic weaknesses in financial management and internal controls within the sector. It exposes the entities to legal risks, potential litigation, and reputational damage, while also undermining employee welfare and trust. The trend indicates a critical need for water companies to

adopt **structured compliance frameworks**, prioritize timely remittance of statutory deductions, and implement **robust payroll and payment monitoring systems** to avoid further accrual of penalties and interest.

10. Budgetary Control and Performance

Audit revealed that a number of water companies had weaknesses in executing their budgets and did not adhere to the approved budget ceilings set for programs. Water Companies either over-utilized or under-utilized the appropriated funds. In some instances, funds were re-allocated to items that were not budgeted for and without prior approval by the Board of Directors. In -addition, water companies experienced high revenue shortfalls and unrealistic budgets.

11. Non-Transfer Of Assets And Liabilities From The Regional Water Works Development Agencies To The County Water Service Providers

In the process of interrogating audit reports of the water service providers, the Committee noted that water companies were servicing loans owed to Regional Water Works Development Agencies as a result of projects implemented by the Agencies. The Agencies take out loans on behalf of water service providers in the Counties to develop water projects and thereafter, transfer the loan repayment obligations to Counties whereas the Agencies retain the resultant assets. The Committee further noted that there existed no formal agreements between the Water Works Development Agencies and the Water Service Providers and their Counties, contrary to the provisions of section 69 of the Water Act, Cap.372.

The huge loans have heaped undue financial strain on the Water Service Providers leading to high rate of defaults on loans that appear as queries in reports of the Auditor-General on the financial statements of the water companies. The non-repayment of loans has further increased the liabilities owed to the Agencies through accumulation of resultant interest and accruing penalties.

12. Ethnic Inclusivity

Audit revealed that many water companies were non-compliant with section 7 (1) and (2) of the National Cohesion and Integration Act, Cap.7N which provides, "*all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its establishment from the same ethnic community*" and Section 65(1) (e) of County Government Act, Cap.265 which provides, "*The need to ensure that at least 30% of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County*".

GENERAL RECOMMENDATIONS FOR WATER COMPANIES

1. Inaccuracies in the presentation and disclosure of statement

The Committee recommends that—

- i. The Governors should ensure that the Accounting Officers comply 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 Governors ensure that the Accounting Officers strengthen 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 Governors ensure that the Accounting Officers enhance 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 Governors ensure that the Accounting Officers undertake 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.

2. Undisclosed Property, Plant and Equipment

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governors, through the respective CECM responsible for matters of water, should engage with the relevant Water Works Development Agencies to ensure the transfer of ownership documents of the donated items is fast-tracked;
- ii. the Governors ensures that the management of the water companies ensure that the valuation of all assets of the water companies is fast-tracked and submits the valuation report to the Auditor- General for verification. The Auditor general to provide a status update on the matter in the subsequent audit cycle;

- iii. upon completion of the transfer and valuation, the Accounting Officers should prepare an updated asset register within 60 days of the adoption of this report and submit to the Senate and a copy to the Auditor General for verification;
- iv. the governors should ensure that the accounting officers undertake adjustments to the financial statements so as to reflect the true value of the assets and auditor general should keep the matter in view in the subsequent audit cycle; and
- v. the Accounting Officers ensure that the water companies maintain an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

3. Long Outstanding Trade and Other Receivables

The Committee recommends that-

- i. the Governors through the Accounting Officers should ensure that the water companies undertakes debtor's circularization to confirm the authenticity of the receivables and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report;
- ii. the Governors ensure the Accounting Officers should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-General for review and verification and update the Committee in the subsequent audit cycle;
- iii. the Governors ensure that the Accounting Officers, within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;
- iv. the Governors ensures the Accounting Officers should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update the Committee on the matter in the subsequent audit cycle; and
- v. the Governors ensures the Accounting Officers to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.

4. Long Outstanding Trade and Other Payables

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Accounting Officers engage 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 Governors to ensures the water companies make 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 Governors ensure that the County Executive Committee Member in charge of water continuously monitor 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.

5. Non-Transfer Of Assets And Liabilities From The Regional Water Works Development Agencies To The County Water Service Providers

The Committee recommends that—

- i. The Ministry of water, Sanitation and Irrigation, Council of Governors and IGRTC to fast track the Asset valuation and transfer process of water sector assets and liabilities. Urgently gazette regulations for transfer of assets to water service provides as prescribed under Section 84 of the Water Act, 2016, while enforcing section 156(4) that stipulates a period of three years after the commencement of the Act for the for the transfer of functions, assets, liabilities and staff.
- ii. the projects implemented by the WWDAs on behalf of the WSPs were designed in such a way that the cash flows generated by the assets developed would be used to offset the liabilities (Loan Repayment). Unfortunately, many projects were marred with delays and lack of last mile connectivity where the projects started accumulating interests before completion and in worst case scenarios some could not generate substantial cashflows to repay the Loan.
- iii. In accordance to Section 153 of the Water Act, 2016, the Cabinet Secretary publish, in consultation with the County and public sector institutions, a plan for transfer of staff, assets and liabilities and contracts.

- iv. the Ministry of Water, Sanitation and Irrigation to urgently provide the Status Report of the Taskforce on or debt restructuring proposals and modalities in line with the transfer plan prescribed under Section 154(4) of the Water Act, 2016

6. Unaccounted for Refundable Customer Deposits

The Committee recommends that—

- i. the Governors through the Accounting Officers should, within 60 days of the adoption of this report, submit to the Senate and the Auditor-General status of implementation of the repayment plan with clear timelines for the repayment of the customer deposits;
- ii. the Governors should ensure that the Accounting Officers provide a certified bank statement for the designated customer deposit account and a comprehensive individual customer deposit register within 60 days of the adoption of this report to Senate and a copy to the Auditor-General. The Auditor-General to provide status update to the Senate on the same;
- iii. the Board of Directors should put in place a Customer Deposits Management Policy to guide how the water company can access, utilize and refund the money within specified timelines. Further, the Accounting Officers should ensure that there is full disclosure to the water company's customers on the utilization of the deposits; and
- iv. the Governors through the Accounting Officers should ensure that all customer deposits are deposited in a fixed/call account whose access to the management is limited and where the accrued interests can be used to offset the bank charges. Management to submit evidence of the same to the Auditor-General within 60 days of the adoption of this report for verification.

7. Non-Revenue Water

The committee recommends that—

- i. The Governors should ensure that the Accounting Officers monitor and oversee 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 Governors ensure that the Accounting Officers segregate 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 Governments 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.
- iv. the EACC should investigate the causes of high NRW, including potential commercial theft, illegal connections, staff collusion, or administrative lapses, and provide a status update to the Senate within 90 days of adoption of this report. *(This is a recommendation for water companies whose NRW is above 50%)*

8. Material Uncertainty Related to Going Concern

The Committee recommends that—

- i. the Governors should take keen interest in the management and operations of the water company in line with Article 179 (4) of the Constitution;
- ii. the Governors ensure that the Accounting Officers 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 Governors through the respective 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 Governors ensure that their respective County Treasury 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 Governors through 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).

9. Non-Compliance with Industrial Benchmark on Personnel Expenses

The Committee recommends that—

- i. the Governors ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and
- ii. the Water Companies ensure progressive compliance to regulation 25(1) of the Public Finance management (County Government) Regulations, 2015 which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

10. Use of Outdated Billing Tariff

The Committee recommends that—

- i. the Accounting Officers should undertake tariff adjustments as required by Water Services Regulatory Board (WASREB) Tariff Guideline, 2023;
- ii. the Accounting Officers formally submit all proposed tariffs to WASREB for approval, accompanied by comprehensive justification and supporting documentation, in accordance with the application requirements stipulated in the Tariff Guideline, 2023, to facilitate timely review and authorization prior to implementation.; and
- iii. in line with the WASREB Tariff Guideline, 2023, WASREB should ensure total compliance with guideline 4.0 on the Tariff Adjustment Process which provides that the process shall take a maximum of six months from the receipt of a complete application.

11. Operating using Outdated Water Tariffs

The Committee recommends that—

- i. the Governors ensure that the water companies have the tariffs approved by WASREB within 90 days of adoption of this report in compliance with Section 73(5) of the Water Act, 2016;
- ii. the Companies intensify community sensitisation on the importance of sustainable cost-reflective tariffs for continued water service provision; and
- iii. the Auditor-General keeps this matter in view and provides a status update in the subsequent audit cycle.

12. Non-Compliance with the Public Procurement Capacity Building Levy Order

The Committee recommends that Management should comply with the Public Procurement Capacity Building Levy Order, 2023, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

13. Late Submission of documents

The Committee recommends that the Accounting Officers should ensure timely submission of documents during the audit process in line with section 47 of the Public Audit Act as read together with section 149(2)(k) of the Public Finance Management Act failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

14. Lack of Staff Ethnic Diversity

The Committee recommends that—

- i. the Governors ensure management comes up with deliberate measures to ensure staff diversity at entry level when filling vacant positions, in full compliance with Section 7(2) of the National Cohesion and Integration Act, 2008;
- ii. all future recruitment vacancies are advertised in newspapers of national circulation and on the Company's website to attract applicants from diverse ethnic backgrounds; and
- iii. the Auditor-General monitors compliance with the National Cohesion and Integration Act, 2008 and provides a status update in the subsequent audit cycle.

15. Prior Year Matters

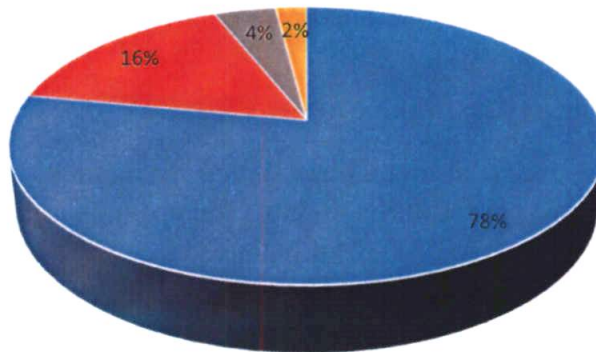
The Committee recommends that —

- i. the Governors ensure that the Accounting Officers resolve 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 Governors ensure that the Accounting Officer submit 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.

CHAPTER TWO: MUNICIPALITIES

Most of the municipalities that were interrogated by the committee received a qualified audit opinion (78%), 16% received unqualified audit opinion. 4% received adverse opinion while 2% of the municipalities received Disclaimer audit opinion. The Chart below shows the distribution of municipalities according to their audit opinions.

Audit Opinions of the various Municipalities



■ Qualified ■ Unqualified ■ Adverse ▲ Disclaimer ▲

The table with various municipalities and their respective audit opinions is attached as *annex 2*.

KEY AUDIT FINDINGS

Review of the audited financial statements revealed a number of cross-cutting issues IN the municipalities. They include:

1. Failure to Fully Operationalize Municipality Charter
2. Unsupported or Undisclosed Property, Plant & Equipment (PPE)
3. Lack of Operational Autonomy from the County Executive and Non-Collection of Own-Source Revenue
4. Inaccuracies and Errors in Financial Statements
5. Weak Budgetary Control and Revenue Under-Realization
6. Non-Collection of Own-Source Revenue

1. Failure to Fully Operationalize Municipality Charter

The Committee noted that a number of municipalities were granted charters but remain un-operationalized. It is also noted that the functions delegated and gazetted under the charter continue to be performed by the County Executive, with inadequate funding in the municipalities, lack of strategic plans, and municipal boards were not operating as required by law. For example in Maralal municipality, the Charter was granted in 2018 however the municipality has not been operationalized in line with its delegated functions.

2. Unsupported or Undisclosed Property, Plant & Equipment (PPE)

The Committee observed that this was the most occurring audit query across many municipalities. Municipalities either failed to maintain a comprehensive fixed asset register, could not provide valuation reports and ownership documents, had material Property, Plant & Equipment (PPE) balances that could not be verified, or disclosed nil Property, Plant & Equipment (PPE) values despite assets physically existing. In numerous cases, assets remained with the County Executive rather than being transferred to the municipality. Some municipalities could not even demonstrate ownership of the land on which their offices sit.

3. Lack of Operational Autonomy from the County Executive

The Committee observed that most municipalities lacked operational autonomy, a situation that is contrary to the provisions of Sections 12 (management independence), 20 (functional independence), and 45–46 (financial independence) of the Urban Areas and Cities Act, Cap.275. In practice, municipal operations are significantly constrained: budgets are prepared by the County Executive, revenue collection is conducted centrally by the County, payments are processed through the County Treasury, and municipal staff remain on the County payroll. This centralized control undermines the municipalities' ability to make independent operational and financial decisions, thereby hampering their functional and financial independence, and limiting their effectiveness in delivering services efficiently to urban residents.

4. Inaccuracies and Errors in Financial Statements

Most municipalities prepared financial statements that had inaccuracies, casting errors, misclassifications, omissions, unexplained inter-statement variances, and non-compliance with the PSASB presentation template. This includes discrepancies between figures in financial statements and their supporting ledgers, inconsistent comparative balances, missing notes, incorrect budget-versus-actual reporting, and failure to prepare financial statements on the correct basis (accrual vs. modified cash). For example, Municipality of Eldoret (Uasin Gishu) had Multiple anomalies including a missing 'cash generated from operations' note, inconsistencies in prior-year depreciation across notes, unsupported prior year depreciation adjustment, and unreconciled inter-entity transfers.

5. Weak Budgetary Control and Revenue Under-Realization

It was observed that the Budget execution across municipalities was characterized by severe underfunding (often due to delayed disbursements from County Treasuries and the National Treasury), significant revenue shortfalls, and in some cases over-expenditure beyond approved ceilings. Many municipalities depended almost entirely on County Government transfers and had no independent revenue base, making them financially fragile and unable to deliver services when disbursements are delayed.

6. Late and Inadequate Submission of Audit Documents

Many municipalities failed to submit financial statements and supporting documentation within the stipulated timelines. This significantly delays the audit processes. The repeated pattern of documents being provided during exit meetings or after the audit, combined with the Committee repeatedly invoking Section 62 of the Public Audit Act, signals a systemic culture of non-compliance rather than incidental error.

The table below shows the audit queries and occurrence rate of the queries in the municipalities that were interrogated by the Committee, (Extremely high means that the query highlighted was a predominant issue in most municipalities)

Table 8.0

Audit Query / Issue	Applicable Law / Standard	Occurrence rate
Unsupported / Undisclosed Property, Plant & Equipment (PPE)	PFM Act s.104(1)(h); IPSAS 1 & 45; NT Circular 5/2020	Extremely High
Lack of Operational Autonomy from County Executive	Urban Areas & Cities Act s.12, 20, 45, 46; CGA s.48(1)(a)	Extremely High
Inaccuracies & Errors in Financial Statements	IPSAS 1 & 3; PFM Act s.149(2)(b); PAA s.47(2)	Very High
Weak Budgetary Control & Revenue Under-Realization	PFM (CG) Regs r.31(c), r.42(1)(b); PFM Act s.172, s.175(5)	Very High
Non-Collection of Own-Source Revenue	Urban Areas & Cities Act s.9(3)(c)(d), s.23(1); PFM Act s.172	High
Late Submission of Audit Documents	Public Audit Act s.62, s.9(1)(e)	High
Unsupported Prior Year Adjustments	IPSAS 3; PFM Act s.149(2)(b)	High
Irregularities in Staff Costs (nil or over-expended)	IPSAS 1 para.25; PFM Act s.149(2)(b); CGA s.48(1)(a)	High
Failure to Fully Operationalize Municipality Charter	Urban Areas & Cities Act s.43(1), s.39(1); PFM Act s.172	High
Long-Outstanding Trade Payables	PFM (CG) Regs r.41(2)	Moderate
Absence of Internal Audit Function / Risk Management Policy	PFM Act s.155; PFM (CG) Regs r.153, r.158(1)	Moderate
Over-Reliance on County Government Transfers	PFM Act s.172; Urban Areas & Cities Act s.9(3)(c)(d)	Moderate
Non-Compliance with Data Protection / Procurement Levies	Data Protection Act 2019 s.18(1); Legal Notice 206 of 2023	Emerging

GENERAL RECOMMENDATIONS FOR MUNICIPALITIES

1. Operational Autonomy

The Committee recommends that—

- i. the Governors should ensure by the commencement of the financial year 2026/2027 that the municipalities are fully operationalized in line with their delegated functions as gazetted by their respective county governments in accordance with the Urban Areas and Cities Act, cap.275.
- ii. the municipalities are adequately resourced 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; and
- iii. within sixty (90) days of the adoption of this report, the Governors ensure that the Boards of the Municipalities put in place the Integrated Development and Economic Plan and the Integrated Strategic Urban Development Plan (ISUDP) for the Municipalities in line with section 20(1)(c) of the Urban Areas and cities Act, Cap.275; and
- iv. the Auditor General to review the matter in the subsequent audit cycle and report the progress made by the counties in granting municipalities operational autonomy in line with applicable laws.

2. Poor Asset Management (inaccurate property, plant, and equipment balances)

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governors ensure that the transfer of ownership documents of assets under the County Executives to the respective municipalities is fast tracked;
- ii. the Governors ensure that the management of the Municipalities undertakes the valuation of all assets of the Municipalities and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- iii. upon completion of the transfer and valuation, the Accounting Officers should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification
- iv. the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB);

- v. within 90 days of the adoption of this report, the Governor ensures that the operational autonomy of Municipality of Bomet is fully actualized in accordance with sections 169 – 181 of the Public Finance Management Act as read together with sections 12 (Structures and management of cities, municipalities), 20 (Governance and management functions of a board), 45 and 46 (financial autonomy) and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.

3. Inaccuracies in the presentation and disclosure of statement

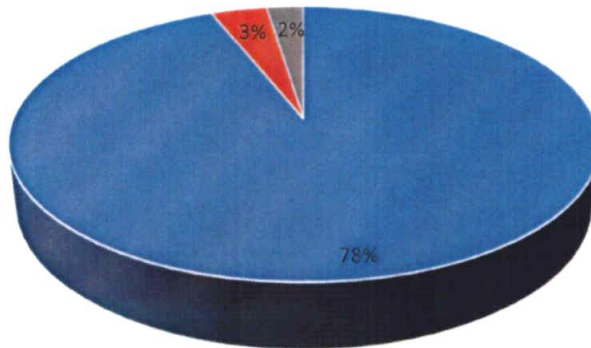
The Committee recommends that—

- i. The Governors should ensure that the Accounting Officers comply 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 Governors ensure that the Accounting Officers strengthen 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 Governors ensure that the Accounting Officers enhance 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 Governors ensure that the Accounting Officers undertake 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.

CHAPTER THREE: LEVEL 4 AND LEVEL 5 HOSPITALS

Most of the hospitals that were interrogated by the committee received a qualified audit opinion (78%), 2% received unqualified audit opinion. 3% received adverse opinion. The Chart below shows the distribution of municipalities according to their audit opinions.

Audit Opinions of the various hospitals



■ Qualified ■ Adverse △ ■ Unqualified (Best/Clean)

The table with various hospitals and their respective audit opinions is attached as *annex 3*.

KEY AUDIT FINDINGS

1. Non-Compliance with the Facilities Improvement Financing (FIF) Act, 2023

The Committee observed that this was a recurring query across many hospitals. The Facilities Improvement Financing Act, 2023, requires that all public health facilities (Level 1 to Level 5) retain all revenue they generate in dedicated facility bank accounts, to be used solely for improving service delivery at those specific facilities. However, most hospitals under review, facilities transferred their FIF revenues to the County Revenue Fund — effectively stripping the facilities of funds intended for their own operational improvement. In some counties, the County Government additionally deducted a percentage (e.g., Embu: 3%) from FIF collections as 'administrative expenses', which is also explicitly prohibited by the Act. In other counties (e.g., West Pokot), FIF funds were swept to a county-level FIF account and reduced amounts returned to individual hospitals — equally unlawful.

2. Failure to Meet Kenya Quality Model for Health (KQMH) Standards — Staffing and Equipment Deficiencies

The Committee observed that this was a systemic crisis in healthcare quality pervades all counties. Most hospitals reviewed failed to meet the minimum staffing and equipment requirements prescribed by the Kenya Quality Model for Health (KQMH) Policy Guidelines and the First Schedule of the Health Act, 2017, for their respective

facility levels. Critical clinical cadres — including anaesthesiologists, radiologists, gynaecologists, paediatricians, and general surgeons — were absent or severely understaffed. Essential equipment including ICU beds, HDU units, dialysis machines, CT scanners, MRI machines, functional operating theatres, newborn unit incubators, and basic diagnostic tools were missing or non-functional. These failures directly undermine the constitutional right to health under Article 43(1) and the government's Universal Health Coverage (UHC) commitments.

3. Unsupported Property, Plant & Equipment (PPE) — No Asset Register, No Title Deeds, Assets Not Tagged

The Committee observed that the Auditor-General could not confirm the accuracy, completeness, existence, or ownership of property, plant and equipment balances. Most prevalent failures included: absence of a comprehensive fixed asset register; failure to obtain title deeds for land occupied by hospitals; PPE balances without supporting valuation reports; assets not physically tagged or identified; and opening PPE balances inconsistent with prior year audited figures. In several cases, hospitals occupied and operated from land that is not legally registered in their names, exposing county health infrastructure to legal and security risks. For example in Butere Sub County Hospital review of the land file showed that the hospital is involved in land boundary dispute with Butere Boys Secondary School due to failure to demarcate the Hospital's land boundary with the school.

4. Unsupported SHA and NHIF Receivables

The Committee observed that the Auditor General was not able to confirm the accuracy, completeness, and recoverability of receivables from the Social Health Authority (SHA) and its predecessor the National Health Insurance Fund (NHIF). Hospitals record substantial amounts as receivables from SHA/NHIF for services rendered to insured patients, but these balances are often unsupported by schedules of individual patient bills, confirmation statements from SHA, or evidence of active recovery efforts. The closure of the NHIF portal following SHA's establishment further complicated the confirmation process. In some hospitals, SHA/NHIF receivables had been outstanding for multiple years with no resolution in sight. For example:

- i. Baringo County Referral Hospital: SHA receivables of Kshs. 3,625,685 and NHIF receivables of Kshs. 3,211,800 (total Kshs. 6,837,485) were not supported by confirmation statements or schedules. The NHIF portal had been closed, further complicating verification.
- ii. Baringo County (Chemolingot Hospital): SHA/NHIF receivables of Kshs. 10,311,285 could not be confirmed, raising doubt about their recoverability.

- iii. Bomet County hospitals: SHA receivables were unsupported, with billings submitted outside audit timelines. The Committee noted SHA reimbursement delays directly constrained hospital revenues.
- iv. Makueni County hospitals: Outstanding NHIF/SHA claims totalled Kshs. 35,293,110 at Makueni County Referral Hospital, Kshs. 50,592,828 at Makindu Sub-County Level 4 Hospital, and Kshs. 34,802,474 at Sultan Hamud Sub-County Level 4 Hospital — creating severe operational cash flow constraints.
- v. Laikipia County (Nanyuki Teaching and Referral Hospital): Long outstanding NHIF receivables aged over two years relating to discontinued NHIF programmes with no formal communication received from SHA on resolution.
- vi. Lamu County hospitals: SHA receivables of Kshs. 6,838,040 not supported by breakdown of outstanding patient invoices at one of the hospitals.
- vii. Mombasa County: The SHA transition from NHIF (Linda Mama programme) created significant financial volatility — while per-delivery reimbursements improved, integration delays between SHA and TaifaCare systems caused lower-than-anticipated collections, revenue shortfalls, and cash flow constraints across all Mombasa hospitals.

The Delayed payments by SHA undermines the quality of health care and sustainability of health care services.

5. Rejected and Unclear SHA Claims and Lack of Framework for Resolution of Complaints.

The Committee observed that there is a high rate of claim rejections despite the health facilities providing adequate supporting documentation. Hospitals reported the absence of a clear and transparent mechanism for claim resubmission, with feedback on rejected claims often delayed well beyond the 90-day statutory period. In addition, the increasing reliance on AI-driven claim processing and approvals without sufficient human oversight has led to unjust denials, causing significant financial strain on facilities. The Committee further observed the absence of an effective framework for resolving disputes and complaints related to claim rejections, leaving facilities without a clear avenue for appeal.

6. Expired Pharmaceutical Products in Hospital Stores — No Disposal Plan

The Committee observed that across multiple counties, hospital stores were found to contain expired pharmaceutical products — including drugs, medical commodities, laboratory supplies, and programme commodities — stored alongside valid stock with no documented disposal plan, no established disposal committee, or no expiry tracking

system. This poses serious public health and patient safety risks, as expired drugs may be accidentally dispensed, and it reflects weak inventory management practices that allow stock to expire without timely intervention.

The table below shows the audit queries and occurrence rate of the queries in the level 4 and level 5 hospitals that were interrogated by the Committee.(Extremely high means that the query highlighted was a predominant issue in most hospitals)

Table 9.0

Audit Query	Law / Standard Contravened	Occurrence rate
Non-Compliance with Facilities Improvement Financing (FIF) Act, 2023 — Transfer of FIF revenues to County Revenue Fund	FIF Act 2023, Sections 5 & 20	Extremely High
Failure to Meet Kenya Quality Model for Health (KQMH) Standards — critical staffing and equipment deficiencies	Health Act 2017, First Schedule; Article 43(1) Constitution	Extremely High
Unsupported PPE / Fixed Asset Register deficiencies — no valuation, no title deeds, assets not tagged	IPSAS 1 & 45; PFM Act s.149(2)(o); Section 136(1) PFM (CG) Regs	Very High
Inaccuracies and errors in Financial Statements — casting errors, misclassifications, unsupported balances	IPSAS 1 & 3; PFM Act s.149(2)(b); PAA s.47(2)	Very High
Non-Remittance of Statutory Deductions — NSSF, PAYE, SHA, NITA, WIBA, Affordable Housing Levy	NSSF Act 2023 s.20(1); Social Insurance Act 2023 s.48(1); Income Tax Act s.37; WIBA Act 2007 s.7; NITA	High
Unsupported Revenue from SHA/NHIF Receivables — unconfirmed claims, no schedules	IPSAS 23; PFM Act s.149(2)(b)	High
Expired Pharmaceutical Products held in stores — no disposal plan, no disposal committee	NEMA Regs 2016 Part VI(42); Section 163(1) PPADA 2015; FIF Act 2023 s.15(a)	High
Irregular / Unsupported Procurement — no tender committees, no professional opinions, no evaluation minutes	PPADA 2015 s.44(2); PPADR 2020 Regs 91(2)-(4)	High
Non-Compliance with Operating Budget — hospitals	FIF Act 2023 s.18(a); PFM Act s.172; PFM (CG) Regs r.42(1)(b)	High

operating without approved budgets or severe underfunding		
Absence of Risk Management Policy, ICT Policy, Strategic Plan, Disaster Recovery Plan	PFM Act s.155; PFM (CG) Regs r.158(1)	High
Weak Imprest Management — no imprest register, imprest used for unauthorised purposes, unsurrendered imprest	PFM (CG) Regs r.91(2), r.93(1), r.93(4)(c)(d), r.93(5)	Moderate
Long-Outstanding Trade Payables — including KEMSA debt and vendor bills	PFM (CG) Regs r.41(2); PPADA 2015 s.53(8)	Moderate
Irregularly Constituted Hospital Management Committees / FIF Boards	FIF Act 2023 s.17(1); Mwongozo Code of Governance	Moderate

GENERAL RECOMMENDATIONS FOR HOSPITALS

1. Inaccuracies in the Financial Statements

The Committee recommends that—

- i. the Governors ensure that the Accounting Officers to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;
- ii. the Governors ensure that the Accounting Officers comply 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;
- 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 Governors ensure the Accounting Officers strengthen 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 Governors ensure that the Accounting Officers enhance 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 Officers ensure that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company

2. Undisclosed Property, Plant and Equipment

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governors, through the CECMs responsible for matters health, engage with the Ministry of Health of the National Government to ensure the transfer of ownership documents of land and buildings is fast tracked;
- ii. the Governors ensure that the management of the hospitals undertake the valuation of all assets of the hospital and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- iii. upon completion of the transfer and valuation, the Accounting Officers should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and
- iv. the Governors, through the Accounting Officers ensure that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

3. Non-Compliance with Kenya Quality Model for Health Policy Guidelines (UHC)

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governors submit to the Senate a comprehensive plan outlining the specific measures being taken to address the hospitals' staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward; and
- ii. within ninety (90) days of the adoption of this report, the Committee recommends that the Governors ensures the hospitals develop and implement a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 4 hospital. The Auditor-General should monitor progress and keep this matter under review in the subsequent audit cycle; and
- iii. the Governors ensure the officer in charge of the facilities have the requisite academic and professional qualifications in accordance with the Health Act, 2017 and provide evidence of measures taken to address the matter to Senate within 60 days of the adoption of this report.

4. Failure to Retain Facilities Improvement Funds (FIF) at the Hospital

The Committee recommends that—

- i. the Governors ensure that the Hospitals immediately ceases the transfer of FIF revenues to the County Revenue Fund Account and complies fully with section 5 of the Facility Improvement Financing Act, Cap. 277;
- ii. the Governors ensure that the standing bank order facilitating the unauthorized transfers is cancelled immediately and evidence of cancellation submitted to the Senate within 30 days of the adoption of this report;
- iii. the Governors ensure that all FIF funds improperly transferred to the County Revenue Fund are returned to the Hospitals' FIF operational accounts within 30 days of the adoption of this report; and
- iv. the Auditor-General keeps the matter in view in the subsequent audit cycle and reports on compliance with the FIF Act, 2023.

5. Outstanding Receivables from Social Health Authority (SHA)

The Committee recommends that—

- i. the Accounting Officers ensure timely submission of complete and accurate documents during audit processes, including evidence of resubmission and follow-up of rejected or partially approved SHA claims, in compliance with

section 9(1)(e) of the Public Audit Act, Cap. 412B, failure to which the provisions of section 62(2) of the Public Audit Act, Cap. 412B shall apply;

- ii. the Governors ensure the Accounting Officers, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and
- iii. the Governors ensure the Accounting Officers undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.

7. Rejected and Unclear SHA Claims and Lack of Framework for Resolution of Complaints.

The Committee recommends that—

- i. the Principal Secretary for the National Treasury, together with the Principal Secretary for the State Department for Medical Services, should urgently settle all verified NHIF arrears or develop a clear, time-bound repayment framework within three (3) months to ease the financial strain on hospitals.
- ii. The National Treasury should invoke Article 223 of the Constitution to facilitate the settlement of outstanding NHIF debts of up to Ksh. 10 billion, thereby ensuring the financial stability of health facilities and restoring confidence in the transition to the Social Health Authority (SHA).

The Committee further recommends that the Chief Executive Officer (CEO) SHA shall enforce the 90-day claims settlement rule and issue standardized remittance advice detailing paid, pending, and rejected claims with documented reasons. Rejected claims shall include clear justification and allow for resubmission through the digital portal. The CEO to submit a compliance and implementation report including a comprehensive financial statement of all SHA Revenues and Expenditures within three (3) months and

The Cabinet Secretary, Ministry of Health should support the Social Health Authority in rolling out national training programs for all public, private, and faith-based facilities on the digital systems, claims, pre-authorizations, and the benefit package within four (4) months.

CHAPTER FOUR: FUNDS

Some of the County funds that the Committee interrogated during its meetings include:

Table 10.0

Fund Category	Fund	Counties
County Bursary / Education Scholarship Funds (for student bursaries, scholarships and education loans)	Bomet County Bursary Fund; Nyandarua County Bursary Fund; Kwale County Bursary and Scholarship Fund; Lamu County Bursary and Scholarship Fund; Mandera County Education Bursary Fund; Siaya County Bursary Fund; Tharaka Nithi County Bursary Development Fund; Tana River County Ward Bursary Fund; Wajir County Bursary Fund; Bomet County Education Revolving Fund; Vihiga County Education Fund; Uasin Gishu County Education Revolving Fund; Nandi County Executive Education Fund	Bomet, Nyandarua, Kwale, Lamu, Mandera, Siaya, Tharaka Nithi, Tana River, Wajir, Vihiga, Uasin Gishu, Nandi
County Climate Change Funds (for environmental and climate adaptation projects)	Bomet County Climate Change Fund; Nyandarua County Climate Change Fund; Vihiga County Climate Change Fund; Kwale County Climate Change Fund; Lamu County Climate Change Fund; Mandera County Climate Change Fund; Siaya County Climate Change Fund; Tharaka Nithi County Climate Change Fund; Tana River County Climate Change Fund; Wajir County Climate Change Fund; Nandi County Climate Change Fund; Kisumu County Climate Change Fund	Bomet, Nyandarua, Vihiga, Kwale, Lamu, Mandera, Siaya, Tharaka Nithi, Tana River, Wajir, Nandi, Kisumu
County Executive Car Loan and Mortgage Scheme Funds (loans for staff vehicles and home ownership)	Bomet County Executive Car and Mortgage Scheme Fund; Nyandarua County Executive (State and Public) Car Loan and Mortgage Scheme Fund; Vihiga County Executive Car	Bomet, Nyandarua, Vihiga, Tharaka Nithi, Kisumu, Uasin Gishu

	Loan and Mortgage Scheme Fund; Tharaka Nithi County Executive Staff Mortgage and Loan Scheme Fund; Kisumu County Mortgage & Car Loan (Executive) Fund; Uasin Gishu County Mortgage and Car Loans Scheme Fund	
County Emergency / Disaster Management Funds (for emergency and disaster relief interventions)	Nyandarua County Emergency Fund; Lamu County Emergency Fund; Kwale County Emergency Fund; Tharaka Nithi County Emergency Fund; Nandi County Emergency Fund; Tana River County Disaster Risk Management Fund; Wajir County Disaster Management Fund; Kisumu County Emergency Fund	Nyandarua, Lamu, Kwale, Tharaka Nithi, Nandi, Tana River, Wajir, Kisumu
County Revolving / Trade / Enterprise Funds (for SME loans, trade, and enterprise development)	Kwale County Trade Revolving Fund; Kwale County Youth, Women and Persons with Disabilities Revolving Fund; Vihiga County Trade and Enterprise Fund; West Pokot County Cooperative Development Fund; Kisumu County Youth and Women Development Fund; Uasin Gishu County Cooperative Enterprise Development Fund	Kwale, Vihiga, West Pokot, Kisumu, Uasin Gishu
County Health Facilities Improvement Fund (FIF) (to improve service delivery at health facilities)	Kisii County Health Facilities Improvement Fund; Nandi County Facilities Improvement Fund; Kisumu County Health Fund	Kisii, Nandi, Kisumu
County Alcoholic Drinks Control Funds (for regulation and control of alcohol trade)	Nandi County Alcoholic Drinks Fund; Uasin Gishu County Alcoholic Drinks Control Fund; Mombasa Alcohol Drink Control Fund	Nandi, Uasin Gishu, Mombasa
County Revenue Boards / Authorities (for county	Meru County Revenue Board (MCRB); Laikipia County Revenue Board; Laikipia	Meru, Laikipia

revenue collection and management)	County Development Authority	
County Staff Housing / Executive Funds (for staff housing and executive welfare)	Lamu County Executive Staff Housing Fund; Kisumu County Mortgage & Car Loan (Executive) Fund	Lamu, Kisumu
County Education / Student Funds (other)	Kisumu County Education Fund; Mombasa County Elimu Scheme; Kisumu County COVID-19 Emergency Response Fund	Kisumu, Mombasa
County Youth Empowerment Funds	Tharaka Nithi County Youth Empowerment Fund	Tharaka Nithi

Most of the funds that were interrogated by the committee received either unqualified or qualified audit opinion.

KEY AUDIT FINDINGS

1. Inaccuracies and Errors in Financial Statements

The Committee observed that the County funds submitted financial statements containing unexplained variances between the statements and supporting ledgers, incorrect opening and comparative balances, casting errors, misclassification of income and expenditure, unsupported prior year adjustments, and non-compliance with the PSASB-prescribed IPSAS template. In the worst case — the Kisii County Health Facilities Improvement Fund — these inaccuracies were so pervasive they resulted in an Adverse Opinion.

2. Unsupported Loan and Bursary Receivables — Lack of Beneficiary Lists and Aging Schedules

The Committee observed that the funds that provide loans or bursary disbursements to beneficiaries — including Education Revolving Funds, Mortgage and Car Loan Funds, and Bursary Funds — consistently failed to maintain adequate records of individual beneficiaries, disbursement schedules, aging analyses, and recovery plans. Without these records, the Auditor-General could not confirm the existence, accuracy, or recoverability of receivables that in some cases ran into hundreds of millions of shillings. Some loan receivables were outstanding for over a decade with no structured recovery mechanism. Some of the examples include:

- i. Bomet County Education Revolving Fund: Long-term receivables of Kshs. 35,790,360 representing student loans disbursed to 2,836 beneficiaries — no list of beneficiaries, no aging analysis, no provision for bad debts, current portion not disclosed. Cash equivalents of Kshs. 4,357,439 were also unsupported.

Management revealed the Higher Education Loans Board manages all monies with the Fund receiving only reports.

- ii. Lamu County funds: Long-outstanding loans and imprests dating back over a decade (e.g., 2013/2014 and 2015) with no structured recovery mechanism. Some loans were disbursed without sufficient insurance cover or registered securities.
- iii. Kwale County funds: Several funds had long-outstanding receivables running into millions of shillings with little recovery effort and no evidence of structured debt repayment plans or loan agreements, contrary to the PFM Regulations.
- iv. Tharaka Nithi County funds: Long outstanding receivables identified across multiple funds with inadequate recovery measures documented.

3. Bursary Awards Exceeding Stipulated Limits / Non-Compliance with Fund Act

The Committee observed that one of the recurring issues specific to County Bursary Funds is the disbursement of bursary awards to beneficiaries in amounts that exceed the limits prescribed in the relevant County Bursary Fund Act or schedule. This constitutes a breach of the governing legislation and calls into question the propriety and regularity of bursary expenditure. Related issues include irregular composition of bursary fund boards and inadequate budget allocation for bursary disbursements.

4. Weak Budgetary Control and Severe Underfunding

The Committee noted that the Special funds across most counties suffered from significant budget underfunding — where the County Executive did not release the full approved budget allocation to the fund — as well as weak budget execution, over-utilization or under-utilization of approved ceilings, and failure to prepare realistic budgets. Underfunding directly hampered the implementation of fund programmes, denying intended beneficiaries of services. In some cases, funds received less than 40% of their approved budget. Some examples of this includes:

- i. Siaya County Bursary Fund: The entire approved budget of Kshs. 134,000,000 was not disbursed — 100% underfunding for the year — with no official communication or justification provided.
- ii. Siaya County Climate Change Fund: Underfunded by Kshs. 81,426,495, representing 38% of the approved budget. The Committee noted this severely hampered implementation of planned programmes with 11 out of 12 audit issues unresolved.
- iii. Vihiga County Climate Change Fund (Unmodified Opinion): Despite a clean audit opinion, the fund recorded negative working capital of Kshs. 29,455,137 due to the County Government failing to release Kshs. 40,000,000 out of the budgeted Kshs. 80,000,000 County contribution. The fund's continued operation depended entirely on continued County and National Government funding.
- iv. Kwale County (all five funds): Budget execution was inconsistent with approved ceilings and revenue targets were under-realized due to delayed or inadequate disbursement of funds, negatively affecting service delivery.

- v. Mombasa Alcoholic Drink Control Fund: Only Kshs. 835,845 spent against actual receipts of Kshs. 39,069,000 — an under-expenditure of 98% of actual receipts.
- vi. Nandi County Facilities Improvement Fund: The Committee noted a conflict between National legislation and the County FIF Act — with National legislation rendering the County Act null and void — which affected the fund's operational framework.

5. Going Concern Concerns — Negative Working Capital and Over-Reliance on Exchequer Funding

The Committee observed that several special funds were found to be in a precarious financial position, with liabilities exceeding assets (negative working capital) and operations entirely dependent on continued County Government and National Government funding. Without guaranteed funding, these funds cannot sustain their operations or discharge their mandates. The Auditor-General flagged going concern issues across multiple funds. For example; Vihiga County Climate Change Fund: Despite an Unmodified Opinion, the fund had a negative working capital of Kshs. 29,455,137 (current liabilities of Kshs. 50,567,741 against current assets of Kshs. 21,112,604) — entirely dependent on County and National Government funding. The shortfall arose because the County Government released only Kshs. 40,000,000 of the budgeted Kshs. 80,000,000 also the Siaya County Bursary Fund: The fund's ability to continue to sustain its services is in 'serious doubt' — the entire approved budget of Kshs. 134,000,000 was not disbursed, no budget was prepared for FY 2025/2026, and the Controller of Budget raised legal questions about the fund's authority to operate.

6. Issues in County Established revolving funds

The Committee reviewed the performance and management of County Established Revolving Funds, including Car Loan and Mortgage Schemes, Trade Revolving Funds, Enterprise Development Funds, and Youth and Women Empowerment Funds. These funds are intended to enhance access to affordable credit, stimulate economic development, and improve service delivery to the public. However, the review revealed significant weaknesses that undermine their effectiveness, sustainability, and accountability.

The Committee observed that many of these funds are characterized by weak loan management and recovery systems, as evidenced by the existence of long outstanding loans that remain unpaid for extended periods without structured recovery mechanisms. In several instances, loans were in default with no evidence of enforcement actions such as follow-ups, or legal proceedings. This exposes the funds to a high risk of irrecoverability and potential loss of public resources. Additionally, the Committee noted the absence of proper governance structures in some funds, including lack of duly constituted management boards, which has led to weak oversight, poor decision-making, and limited accountability in the administration of the funds.

Further, the Committee observed cases where funds remained idle despite the existence of significant cash balances, indicating non-disbursement of loans and failure to achieve the intended objectives of supporting trade, enterprise development, and socio-economic empowerment. This reflects inefficiencies in planning and implementation and results in lost opportunities for public benefit. The review also established that in several instances, loans were disbursed without formal agreements outlining key terms such as repayment schedules, interest rates, and default provisions. This lack of proper documentation significantly weakens the enforceability of such loans and exposes the funds to financial and legal risks.

The Committee further noted that loan security and collateralization mechanisms were largely inadequate. In many cases, title deeds and logbooks for financed assets were not secured, and charges were not registered against ownership documents. This compromises the ability of counties to recover funds in the event of default. Compounding this issue is the lack of insurance coverage for outstanding loans, leaving the funds exposed to risks such as death, disability, or loss of financed assets, which could result in total loss. Moreover, there was no evidence of remedial actions being undertaken by management committees to address persistent defaults, pointing to weak internal controls and ineffective monitoring frameworks. Consequently, many of the loans issued under these funds are at risk of remaining unrecoverable, thereby undermining the core objective of sustaining revolving financing mechanisms.

The Committee further examined specific cases across counties which exemplify the systemic challenges identified.

(i) In Nyandarua County, under the Car Loan and Mortgage Scheme for State and Public Officers, loans amounting to Kshs. 11,585,281 remained outstanding from three former County Executive Committee Members. These loans were in default, and their recoverability was doubtful, particularly given the absence of effective recovery mechanisms following the exit of the officers from public service.

(ii) In Makueni County, an amount of Kshs. 70,162,874 remained unpaid under the Car Loan and Mortgage Scheme for Members of the County Assembly, relating to beneficiaries from the 1st and 2nd Assemblies. The transition between Assembly terms without structured loan recovery arrangements contributed significantly to the accumulation of these defaults.

(iii) In West Pokot County, loans totaling Kshs. 69,200,000 were disbursed to fourteen SACCOs under the Cooperative Development Fund but remained unpaid. The Committee noted with concern that these disbursements were not supported by formal loan agreements and lacked clear documentation on repayment terms and interest rates, representing a fundamental lapse in financial management and control.

(iv) In Kwale County, the Trade Revolving Fund held idle cash amounting to Kshs. 20,124,763, with no loans disbursed over a period of two years despite the availability

of funds. This clearly demonstrates a failure to operationalize the fund and achieve its intended purpose of supporting trade and enterprise development.

(v) In Bungoma County, loans amounting to Kshs. 23,009,233 issued under the County Assembly Members' Car and Mortgage Scheme Fund remained outstanding, having been advanced to members of the 1st and 2nd Assemblies who were not re-elected. As at the end of the 2024/2025 financial year, no repayments had been received on these loans, indicating a high likelihood of loss of public funds due to the absence of effective recovery mechanisms and enforcement measures.

GENERAL RECOMMENDATIONS FOR FUNDS

1. Inaccuracies and Errors in Financial Statements

The Committee recommends that—

- i. The Governors should ensure that the Accounting Officers comply 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 Governors ensure that the Accounting Officers strengthen 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 Governors ensure that the Accounting Officers enhance 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 Governors ensure that the Accounting Officers undertake 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.

2. Revolving funds

The Committee concludes that County Established Revolving Funds are operating below acceptable standards of financial management, governance, and accountability. The persistent weaknesses observed not only threaten the sustainability of these funds but also undermine their intended role as instruments for economic empowerment and service delivery. Urgent and decisive measures are therefore required to strengthen governance frameworks, enforce prudent lending practices, enhance loan recovery mechanisms, and safeguard public resources.

3. Withdrawal from County Emergency funds without required approval

The Committee recommends that the Governors ensures that all withdrawals from the Emergency Fund strictly comply with the County's Emergency Fund Act, including prior approval, proper documentation, procurement procedures, and mandatory notification to the County Assembly.

4. Doubtful Recoverability of Receivables

The Committee recommends that—

- i. The Governors should ensure the Accounting Officers develop and implement a structured recovery plan for receivables from exchange transactions, with clear timelines, responsible officers, and follow-up mechanisms, in line with the Public Finance Management Act, Cap. 412A; and
- ii. The Governors should ensure that formal approvals are sought for writing off irrecoverable debts, supported by adequate documentation.

5. Unutilized Idle Funds

The Committee recommends that the Governors should ensure that available funds are efficiently utilized in compliance with the Public Finance Management (County Governments) Regulations, 2015, including exploring partnerships with financial institutions to enhance loan disbursement and recovery and avoid accumulation of idle balances.

6. Lack of Fund Regulations

The Committee recommends that the Governors should ensure that the Funds' Regulations are finalized and approved by the County Assembly within sixty (60) days in accordance with the respective County Fund Act, to provide a clear framework for the administration and management of the Fund and submit a copy of the approved regulations to the Senate and the Auditor-General for verification.

ANNEXTURES

Annex 1

County	Water Company	Opinion	Notes
Baringo	Kirandich Water and Sanitation Company Limited	Adverse Δ	Outlier
West Pokot	Kapenguria Water Company Limited	Adverse Δ	Outlier
Samburu	Samburu Water and Sanitation Company Limited (SAWASCO)	Disclaimer Δ	Outlier
Nyeri	Naromoru Water and Sanitation Company	Unqualified	
Nyeri	Nyeri Water and Sanitation Company Limited	Unqualified	
Nyeri	Othaya-Mukurweini Water and Sanitation Company	Unqualified	
Baringo	Eldama Ravine Water and Sewerage Company Limited (ERAWASCO)	Qualified	
Baringo	Chemususu Water Company Limited	Qualified	
Bomet	Bomet Water and Sanitation Company Limited (BOMWASCO)	Qualified	
Bungoma	Bungoma Water and Sewerage Company Limited (BWASCO)	Qualified	
Busia	Busia Water and Sewerage Services Company Limited	Qualified	
Elgeyo Marakwet	Iten Tambach Water and Sewerage Company	Qualified	
Elgeyo Marakwet	Cherang'any Marakwet Water and Sanitation Company Limited	Qualified	
Embu	Ngandori Water and Sanitation Company PLC	Qualified	
Embu	Ngagaka Water and Sanitation	Qualified	
Embu	Embe Water and Sanitation Company Limited	Qualified	
Embu	Embu Water and Sanitation Company Limited	Qualified	
Garissa	Garissa Water and Sewerage Company Limited (GAWASCO)	Qualified	
Kirinyaga	Kirinyaga County Water and Sanitation PLC (KICOWASCO)	Qualified	
Kirinyaga	Rukanga Makutano Water and Sanitation PLC (RUMAWASCO)	Qualified	
Kisii	Gusii Water and Sanitation Company Limited (GWASCO/KWASCO)	Qualified	
Kisumu	Kisumu Water and Sanitation Company (KIWASCO)	Qualified	

Kwale	Kwale Water and Sewerage Company Limited	Qualified	
Laikipia	Nyahururu Water and Sanitation Company Limited (NYAHUWASCO)	Qualified	
Laikipia	Nanyuki Water and Sanitation Company	Qualified	
Lamu	Lamu Water and Sewerage Company Limited (LAWASCO)	Qualified	
Machakos	Mavoko Water and Sanitation Company Limited (MAVWASCO)	Qualified	
Machakos	Machakos Municipal Water and Sewerage Company Limited (MACWASCO)	Qualified	
Machakos	Mwala Water and Sanitation Company Limited	Qualified	
Machakos	Matungulu Water and Sewerage Company (MAKAWASCO)	Qualified	
Machakos	Kathiani Water and Sanitation Company Limited	Qualified	
Machakos	Yatta Water Services Company Limited (YAWASCO)	Qualified	
Makueni	Kibwezi Makindu Water and Sanitation Company Limited	Qualified	
Makueni	Mbooni Water and Sanitation Company Limited	Qualified	
Makueni	Wote Water and Sewerage Company Limited	Qualified	
Mandera	Mandera Water and Sewerage Company (MANDWASCO)	Qualified	
Mandera	Elwak Water and Sanitation Company	Qualified	
Marsabit	Marsabit Water and Sewerage Company Limited (MARWASCO)	Qualified	
Meru	Meru Water and Sewerage Services Company (MEWASS)	Qualified	
Meru	Meru County Rural Water and Sanitation Company (MCWSC)	Qualified	
Mombasa	Mombasa Water Supply and Sanitation Company Limited	Qualified	
Murang'a	Gatamathi Water and Sanitation Company	Qualified	
Murang'a	Gatanga Water and Sanitation PLC	Qualified	
Murang'a	Kahuti (Murang'a West) Water and Sanitation Company Limited	Qualified	
Murang'a	Murang'a South Water and Sanitation Company Limited	Qualified	

Murang'a	Murang'a Water and Sanitation Company Limited (MUWASCO)	Qualified	
Nandi	Kapsabet Nandi Water and Sanitation Company Limited (KANAWASCO)	Qualified	
Nyandarua	Nyandarua Water and Sanitation Company Limited	Qualified	
Nyandarua	Olkalou Water and Sanitation Company Limited	Qualified	
Nyeri	Mathira Water and Sanitation Company	Qualified	
Nyeri	Tetu Water and Sanitation Company Limited	Qualified	
Siaya	Sibo Water and Sanitation Company Ltd	Qualified	
Tana River	Tana River Water and Sanitation Company Limited	Qualified	
Tharaka Nithi	Nithi Water and Sanitation Company Limited	Qualified	
Trans Nzoia	Trans Nzoia Water and Sewerage Company Limited (TRANSWASCO)	Qualified	
Uasin Gishu	Eldoret Water and Sanitation Company Limited (ELDOWAS)	Qualified	
Vihiga	Amatsi Water Services Company Limited	Qualified	
Wajir	Wajir Water and Sewerage Company Limited	Qualified	

Annex 2

County	Municipality / City	Audit Opinion
Baringo	Kabarnet Municipality	Qualified
Bomet	Bomet Municipality	Qualified
Bungoma	Bungoma Municipality	Qualified
Bungoma	Kimilili Municipality	Qualified
Busia	Busia Municipality	Qualified
Busia	Malaba Municipality	Qualified
Elgeyo Marakwet	Iten Tambach Municipality	Qualified
Garissa	Garissa Municipality	Qualified
Garissa	Dadaab Municipality	Qualified
Garissa	Masalani Municipality	Qualified
Kirinyaga	Kerugoya-Kutus Municipality	Qualified
Kisii	Kisii Municipality	Qualified

Kwale	Diani Municipality	Qualified
Kwale	Lungalunga Municipality	Qualified
Kwale	Kwale Municipality	Qualified
Kwale	Kinango Municipality	Qualified
Laikipia	Nanyuki Municipality	Qualified
Laikipia	Rumuruti Municipality	Qualified
Lamu	Lamu Municipality	Qualified
Machakos	Mavoko Municipality	Qualified
Machakos	Machakos Municipality	Qualified
Machakos	Katani Municipality	Qualified
Makueni	Emali Sultan Hamud Municipality	Qualified
Makueni	Wote Municipality	Qualified
Marsabit	Marsabit Municipality	Qualified
Tana River	Hola Municipality	Qualified
Vihiga	Vihiga Municipality	Qualified
Embu	Embu Municipality	Unmodified
Nyandarua	Engineer Municipality	Unmodified
Nyandarua	Mairo-Inya Municipality	Unmodified
Nyeri	Nyeri Municipality	Unqualified
Kisumu	City of Kisumu	ADVERSE Δ
Mandera	Elwak Municipality	Qualified
Meru	Meru Municipality	Qualified
Meru	Maua Municipality	Qualified
Nandi	Kapsabet Municipality	Qualified
Nyamira	Nyamira Municipality	Qualified
Siaya	Siaya Municipality	Qualified
Siaya	Ugunja Municipal Board	Qualified
Trans Nzoia	Kitale Municipality	Qualified
Uasin Gishu	Municipality of Eldoret (City of Eldoret)	Qualified
Wajir	Wajir Municipality	Qualified
West Pokot	Kapenguria Municipality	Qualified
Murang'a	Kangari Municipality	Unqualified
Tharaka Nithi	Chuka Municipality	Unqualified
Tharaka Nithi	Kathwana Municipality	Unqualified
Murang'a	Kenol Municipality	Qualified
Murang'a	Murang'a Municipality	Qualified
Samburu	Maralal Municipality	ADVERSE Δ
Siaya	Bondo Municipality	DISCLAIMER Δ

Annex 3

County	Hospital	Audit Opinion
Bomet	Ndanai Level 4 Hospital	ADVERSE Δ
Murang'a	Kandara Sub-County Hospital	ADVERSE Δ
Uasin Gishu	Turbo Level 4 Hospital	ADVERSE Δ
Kwale	Kwale Sub-County Hospital	Unqualified
West Pokot	Kacheliba Sub-County Level 4 Hospital	Unqualified
Baringo	Marigat Sub-County Level 4 Hospital	Qualified
Baringo	Kabartonjo Level 4 Hospital	Qualified
Baringo	Baringo County Referral Hospital	Qualified
Baringo	Eldama Ravine Hospital	Qualified
Baringo	Chemolingot Hospital	Qualified
Bomet	Cheptalal Level 3B Hospital	Qualified
Bomet	Kapkoros Level 3A Hospital	Qualified
Bomet	Longisa Level 4 Hospital	Qualified
Bomet	Sigor Sub-County Level 4 Hospital	Qualified
Elgeyo Marakwet	Iten County Referral Hospital	Qualified
Elgeyo Marakwet	Tambach Sub-County Hospital	Qualified
Embu	Embu Level 5 County Hospital	Qualified
Embu	Mbeere County Hospital	Qualified
Embu	Runyenjes Sub-County Hospital	Qualified
Embu	Ishiara Sub-County Hospital	Qualified
Garissa	Garissa Level 5 Teaching & Referral Hospital	Qualified
Garissa	Ijara Sub-County Hospital	Qualified
Garissa	Modogashe Sub-County Hospital	Qualified
Garissa	Dadaab Sub-County Hospital	Qualified
Kirinyaga	Kianyaga Sub-County Level 4 Hospital	Qualified
Kirinyaga	Sagana Sub-County Level 4 Hospital	Qualified
Kirinyaga	Kimbikimbi Sub-County Level 4 Hospital	Qualified
Kisumu	Ahero, Chulaimbo, Kisumu County, Kombewa, Lumumba, Migosi, Muhoroni, Nyakach (8 hospitals)	Qualified
Kwale	Msambweni County Referral Hospital	Qualified
Kwale	Lungalunga Sub-County Hospital	Qualified
Kwale	Kinango Sub-County Referral Hospital	Qualified
Laikipia	Nanyuki Teaching and Referral Hospital	Qualified

Laikipia	Doldol Level 4 Hospital	Qualified
Laikipia	Rumuruti Sub-County Hospital	Qualified
Laikipia	Nyahururu County Referral Hospital	Qualified
Lamu	Lamu County Referral Level 4 Hospital	Qualified
Lamu	Faza Sub-County Hospital	Qualified
Lamu	Mpeketoni Sub-County Level 4 Hospital	Qualified
Makueni	Kibwezi Sub-County Hospital	Qualified
Makueni	Makindu Sub-County Level 4 Hospital	Qualified
Makueni	Makueni County Referral Hospital	Qualified
Makueni	Mbooni Sub-County Level 4 Hospital	Qualified
Makueni	Sultan Hamud Sub-County Level 4 Hospital	Qualified
Marsabit	Marsabit County Referral Hospital	Qualified
Meru	Meru Teaching and Referral Hospital	Qualified
Meru	Miathene Sub-County Hospital	Qualified
Meru	Nyambene Sub-County Hospital	Qualified
Mombasa	Likoni Sub-County Level 4 Hospital	Qualified
Mombasa	Tudor Sub-County Level 4 Hospital	Qualified
Mombasa	Mrima Sub-County Level 4 Hospital	Qualified
Mombasa	Port Reitz Sub-County Level 4 Hospital	Qualified
Mombasa	Coast General Teaching & Referral Hospital	Qualified
Murang'a	Kigumo Sub-County Hospital	Qualified
Murang'a	Maragua Sub-County Level 4 Hospital	Qualified
Murang'a	Murang'a Level 5 Sub-County Hospital	Qualified
Nandi	Kapsabet County Referral Hospital	Qualified
Nyamira	Esani Level 4 Hospital	Qualified
Nyamira	Manga Level 4 Hospital	Qualified
Nyamira	Masaba Level 4 Sub-County Hospital	Qualified
Nyamira	Nyamira County Referral Hospital	Qualified
Nyeri	Karatina Sub-County Level 4 Hospital	Qualified
Nyeri	Mt Kenya Sub-County Referral Hospital	Qualified
Nyeri	Mukurweini Sub-County Hospital	Qualified
Nyeri	Nyeri County Referral Hospital	Qualified
Nyeri	Othaya Sub-County Hospital	Qualified
Samburu	Samburu County Teaching and Referral Hospital	Qualified

Samburu	Baragoi Sub-County Hospital	Qualified
Siaya	Ambira Level 4 Hospital	Qualified
Siaya	Bondo Level 4 Hospital	Qualified
Siaya	Got Agulu Sub-County Hospital	Qualified
Siaya	Siaya County Referral Hospital	Qualified
Tharaka Nithi	Chuka Referral Hospital	Qualified
Tharaka Nithi	Magutuni Sub-County Hospital	Qualified
Tharaka Nithi	Marimanti Level 4 Hospital	Qualified
Trans Nzoia	Kitale County Referral Level 4 Hospital	Qualified
Trans Nzoia	Wamalwa Kijana Teaching and Referral Hospital	Qualified
Uasin Gishu	Huruma Level 4 Hospital	Qualified
Uasin Gishu	Uasin Gishu District Hospital	Qualified
Vihiga	Vihiga County Referral Hospital	Qualified
Wajir	Wajir County Level 4 Referral Hospital	Qualified
West Pokot	Kapenguria Referral Hospital	Qualified
West Pokot	Chepareria Sub-County Level 4 Hospital	Qualified
West Pokot	Sigor Sub-County Level 4 Hospital	Qualified

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. Oololaiser Water and Sewerage Company Limited
- II. Nol-Turesh Loitokiok Water and Sanitation Company Limited
- III. Olkejuado Water and Sewerage Company Limited
- IV. Kajiado 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. Kajiado County Emergency Fund
- X. Kajiado County Alcoholic Drinks Control Fund
- XI. Kajiado County Climate Change Fund
- XII. Kajiado County Disability Mainstreaming Fund
- XIII. Kajiado County Education Bursary Grants and Scholarship Fund
- XIV. Kajiado County Youth and Women Enterprise Fund
- XV. Kajiado 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. Igegania 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. Kabonde 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.)