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Hon. Speaker
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 Date: 25/03/26

THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF MARSABIT COUNTY WATER COMPANY, MUNICIPALITY, HOSPITAL AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANY	1	MARSABIT WATER AND SEWERAGE COMPANY LIMITED (MARWASCO)
MUNICIPALITY	1	MARSABIT MUNICIPALITY
HOSPITAL	1	MARSABIT COUNTY REFERRAL HOSPITAL
FUNDS	5	MARSABIT COUNTY EXECUTIVE CAR LOAN FUND
		MARSABIT COUNTY EXECUTIVE MORTGAGE FUND
		MARSABIT COUNTY EMERGENCY FUND
		MARSABIT COUNTY CLIMATE CHANGE FUND
		MARSABIT COUNTY EDUCATION FUND

26/03/26

PAPER LAID	
DATE	26/3/2026
TABLED BY	Sen. Cherankey
COMMITTEE	CPI & SF
CLERK AT THE TABLE	Belinda

MARCH 2026

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ACRONYMS/ABBREVIATION

CBS	Chief of the Burning Spear (honorary title)
CPAIC	County Public Accounts and Investments Committee
CPISFC	County Public Investments and Special Funds Committee
CPSB	County Public Service Board
ENT	Ear, Nose, and Throat (medical specialty)
GAAP	Generally Accepted Accounting Principles
HDU	High Dependency Unit (hospital beds)
ICU	Intensive Care Unit (hospital beds)
IPSAS	International Public Sector Accounting Standards
MARWASCO	Marsabit Water and Sewerage Company Limited
MP	Member of Parliament
NHIF	National Health Insurance Fund
NRW	Non-Revenue Water
ODPC	Office of the Data Protection Commissioner
PFM	Public Finance Management (Act/Regulations)
PSASB	Public Sector Accounting Standards Board
SHA	Social Health Authority
SO	Standing Orders
WASREB	Water Services Regulatory Board

DEFINITION OF TERMS

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

PREFACE

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

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Marsabit Countywater company, municipality, and hospital for the Financial Year 2024/2025. The entities considered include Marsabit Water and Sewerage Company Limited (MARWASCO), Marsabit Municipality, Marsabit County Referral Hospital.

The Governor of Marsabit County, accompanied by relevant officials, appeared before the Committee to respond under oath to audit queries raised by the Auditor-General in the respective reports.

COMMITTEE MEMBERSHIP

The membership of the Committee comprises the following Senators-

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

COMMITTEE SECRETARIAT

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

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited accounts of Marsabit County entities for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025) as the primary documents for the investigations. The Committee invited the Governor of Marsabit as the Chief Executive Officer pursuant to Article 179(4), as a witness to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidence from the Governor, accompanied by relevant county officials, in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates.

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on three (3) entities in Marsabit County for the Financial Year 2024/2025. The entities covered are: one (1) Municipality - Marsabit Municipality; one (1) Water Company - Marsabit Water and Sewerage Company Limited; and one (1) hospital - Marsabit County Referral Hospital.

All three entities received a Qualified Opinion from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: undisclosed property, plant and equipment; failure to depreciate assets; going concern uncertainties arising from over-reliance on County Government transfers; non-compliance with Universal Health Coverage requirements; irregular engagement of casual employees beyond three months; failure to establish the Hospital Board of Management; absence of an Audit Committee; lack of Risk Management Policy; non-compliance with Data Protection requirements; Non-Revenue Water above allowable thresholds; failure to retain customer deposits; non-implementation of transferred municipal functions; and persistent unresolved prior year audit matters.

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

REPORT STRUCTURE

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

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

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

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Marsabit County Referral Hospital for the Financial Year 2024/25 along with the Committee's observations and recommendations for each audit query.

CHAPTER FOUR This chapter documents funds under the County Government of Marsabit which include Marsabit County Executive Car Loan Fund, Marsabit County Executive Mortgage Fund, Marsabit County Emergency Fund, Marsabit County Climate Change Fund and Marsabit County Education Fund. Due to time constraints, the Committee did not manage to interrogate the reports but has recommended that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report and report is submitted to the Senate within 30 days of the adoption of this report.

GENERAL OBSERVATIONS FOR MARSABIT WATER AND SEWARAGE WATER COMPANY

The Committee made the following general observations regarding the operations and financial management of the Marsabit Water and Sewerage Company Limited.

1. **Going Concern** - The Committee observed that the Company is wholly reliant on the County Government of Marsabit to meet its payroll obligations, raising significant concerns about its going concern status and ability to independently meet its financial obligations as they fall due.
2. **High Non-Revenue Water** - The Committee observed that the Company's Non-Revenue Water (NRW) stood at 40% of total water produced, significantly above the allowable threshold of 25% under the WASREB Service Performance Agreement. This represents a major loss of revenue and undermines the Company's financial sustainability.
3. **Asset Management Deficiencies** - The Committee observed that the Company had not properly recognized and disclosed land, buildings, and plant and machinery in its financial statements, and had failed to conduct an annual stock take or maintain proper inventory records.
4. **Governance Weaknesses** - The Committee observed that the Company had persistent unresolved prior year audit matters, had not adopted a customer deposit policy, and had failed to tag its assets.

GENERAL RECOMMENDATIONS FOR MARSABIT WATER AND SEWARAGE WATER COMPANY

The Committee makes the following recommendations to address the observed deficiencies in Marsabit Water and Sewerage Company Limited:

1. **Financial Sustainability** - The Governor should ensure that the Board of Directors and Management have, within sixty (60) days of the adoption of this report, prepare and submit to the County Government a comprehensive roadmap for achieving financial sustainability, including a clear plan for increasing production, connectivity, and revenue generation to reduce dependence on County Government support.
2. **Non-Revenue Water Reduction** - The Governor should ensure that the Board of Directors and Management implement targeted measures to reduce NRW to within the acceptable WASREB threshold of 25%, including rehabilitation of dilapidated distribution infrastructure, and submit quarterly progress reports to the Auditor-General.
3. **Asset Transfer and Management** - The Governor shall fast-track the formal transfer of all assets, including land, buildings, plant, and machinery, to the Company and ensure these are properly recorded in the financial statements in

compliance with Regulation 136(1) of the PFM (County Governments) Regulations, 2015.

4. **Customer Deposit Policy** - The Governor should ensure that the Board, within sixty (60) days of the adoption of this report, finalize and implement a customer deposit policy as required by Section 72(1)(c) of the Water Act, 2016, to safeguard against damaged meters and unpaid water bills.
5. **Resolution of Prior Year Matters** - The Governor shall ensure that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 31(1)(a) of the Public Audit Act, 2015, and submits a status report to the Auditor-General within sixty (60) days.

GENERAL OBSERVATIONS FOR MARSABIT MUNICIPALITY

The Committee made the following general observations regarding the operational and financial management of Marsabit Municipality: -

1. **Lack of Operational Autonomy of Municipality** – The Committee observed that the Municipality lacked operational independence from the County Executive in areas of management, function and finances. Revenue collected by the Municipality was transferred to the County Revenue Fund rather than being retained for its own operations, contravening Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, 2011.
2. **Non-Implementation of Transferred Functions** - The Committee observed that the Municipality had not fully implemented the eighteen (18) functions transferred to it by the Governor vide Gazette Notice No. 3836 of 2020. This contravenes Section 20(1) of the Urban Areas and Cities Act, 2011, which requires county governments to allocate adequate resources to urban areas for the performance of transferred functions.
3. **Deficiencies in Financial Reporting and Standards Compliance** - The Committee observed that there were inaccuracies and errors in the financial statements of the Municipality, particularly regarding nil balances for land and depreciation, raising concerns about the capacity of the officers responsible for their preparation.
4. **Asset Management Weaknesses** - The Committee observed that the Municipality had not properly disclosed all assets in its financial statements, including land on which the head office is situated, and had failed to tag its assets in accordance with Regulation 132(2) of the PFM (County Governments) Regulations, 2015.
5. **Weak Internal Controls and Governance** - The Committee observed that the Municipality lacked a Risk Management Policy and had not conducted internal audit functions, exposing it to significant governance risks.

GENERAL RECOMMENDATIONS FOR MARSABIT MUNICIPALITY

The Committee makes the following recommendations to address the observed deficiencies and enhance the governance, financial management, and operational autonomy of Marsabit Municipality: -

1. **Enforcement of Municipal Autonomy** - The Governor should ensure that the County Executive Committee Member responsible for finance and urban development, within sixty (60) days of the adoption of this report, take immediate steps to operationalize Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, 2011, by formally delegating management, functional, and financial powers to the Municipality. The Municipal Board shall thereafter

provide a compliance report to the County Assembly and the Senate Committee on County Public Investments and Special Funds.

2. **Implementation of Transferred Municipal Functions** - The Governor should ensure that the Municipal Manager, within sixty (60) days of the adoption of this report, prepare a comprehensive implementation plan for all eighteen (18) functions transferred by Gazette Notice No. 3836 of 2020, with clear milestones and resource requirements, and submit the same to the County Assembly and the Auditor-General.
3. **Strengthening Financial Reporting Capacity** - The Governor should ensure that the Municipal Manager and the head of finance, in consultation with the CECM for finance and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers. The Municipal Manager shall ensure that all financial statements prepared from the financial year 2024/25 onwards fully comply with the most current IPSAS framework.
4. **Asset Management and Tagging** - The Governor should ensure that the Municipal Manager, within sixty (60) days of the adoption of this report, ensure that all assets are properly disclosed in the financial statements, a comprehensive fixed asset register is maintained in compliance with Section 104(1)(h) of the Public Finance Management Act, 2012, and all assets are tagged for ease of identification and tracking.
5. **Internal Controls and Risk Management** - The Governor should ensure that the Municipal Manager shall develop a standalone Risk Management Policy and ensure regular internal audit functions are conducted, with reports submitted to the relevant oversight bodies in compliance with Regulation 158(1) and Section 155(1) of the Public Finance Management Act, 2012.

GENERAL OBSERVATIONS FOR MARSABIT COUNTY REFFERAL HOSPITAL

The Committee observed that-

1. **Non-Compliance with Kenya Quality Model for Health Policy Guidelines -**
The Committee observed that Marsabit County Referral Hospital did not fully comply with the Universal Health Coverage standards as it was inadequately staffed and lacked essential medical equipment, including sufficient ICU beds, functional theatres, and specialist medical personnel.
2. **Failure to Establish a Hospital Board of Management -** The Committee observed that the Hospital had not constituted a Board of Management contrary to Section 5 of the Marsabit County Health Services Act, 2016. This has created a cascading governance gap, including the inability to constitute an Audit Committee.
3. **Persistent Unresolved Prior Year Audit Matters -** The Committee observed that the Hospital management failed to resolve nine (9) prior year audit matters including unaccounted laboratory chemicals, undisclosed assets, failure to conduct annual stock-taking, and weaknesses in inventory management, contrary to Section 31(1)(a) of the Public Audit Act, 2015.
4. **Inaccuracies in Financial Statements -** The Committee observed that there were material inaccuracies in the Hospital's financial statements, including nil depreciation expense despite having depreciable assets, and undisclosed property, plant, and equipment, raising concerns about the capacity of finance officers.
5. **Irregular Engagement of Casual Employees -** The Committee observed that the Hospital engaged twenty-six (26) casual employees for twelve (12) continuous months without proper documentation including CPSB approval, letters of appointment, or evidence of a needs assessment, contrary to Section 37(1)(b) of the Employment Act, 2007.
6. **Weak Internal Controls and Risk Management -** The Committee observed that the Hospital lacked a Risk Management Policy, had not constituted an Audit Committee, and had not tagged its assets, reflecting systemic governance weaknesses that expose public funds to risk.

GENERAL RECOMMENDATIONS FOR MARSABIT COUNTY REFFERAL HOSPITAL

The Committee recommends that-

1. **Compliance with Kenya Quality Model for Health Policy Guidelines** - The Governor should ensure that the Accounting Officer submits, within sixty (60) days of the adoption of this report, a comprehensive plan outlining specific measures being taken to address the hospital's staffing and equipment shortages. The plan should include both short-term and long-term solutions, focusing on optimizing existing resources and ensuring sustainable staffing levels.
2. **Establishment of Hospital Board of Management** - The Governor should, as a matter of urgency, initiate the process of amending the Marsabit County Health Services Act, 2016, through the County Assembly to align it with the Facilities Improvement Financing Act, 2023, and thereafter constitute the Hospital Board of Management. This shall be completed within ninety (90) days of the adoption of this report.
3. **Resolution of Prior Year Matters** - The Governor shall ensure that the Accounting Officer prepares and submits a structured action plan addressing all unresolved prior year audit matters, with clear timelines for resolution, to the Auditor-General within sixty (60) days of the adoption of this report.
4. **Capacity Building on Financial Reporting Standards** - The Governor should ensure that the CECM for finance, in consultation with the Public Sector Accounting Standards Board (PSASB), should facilitate continuous capacity building on financial reporting standards for finance officers and management in the Hospital to improve the quality of reporting and enhance compliance.
5. **Compliance with Employment Act on Casual Workers** - The Governor should ensure that the CECM for finance ensures that future engagement of casual workers is supported by proper documentation including CPSB approvals, appointment letters, and needs assessment reports in compliance with Section 37(1)(b) of the Employment Act, 2007.
6. **Internal Controls and Risk Management** - The Governor should ensure, within sixty (60) days, that the Hospital develops a Risk Management Policy, constitutes an Audit Committee upon establishment of the Board, and tags all assets for ease of identification and tracking.

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 the consideration of 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: 


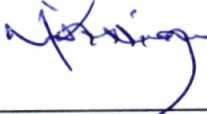
DATE: 23/03/2026

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

ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF MARSABIT COUNTY WATER COMPANY, MUNICIPALITY, HOSPITAL AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANY	1	MARSABIT WATER AND SEWERAGE COMPANY LIMITED (MARWASCO)
MUNICIPALITY	1	MARSABIT MUNICIPALITY
HOSPITAL	1	MARSABIT COUNTY REFERRAL HOSPITAL
FUNDS	5	MARSABIT COUNTY EXECUTIVE CAR LOAN FUND
		MARSABIT COUNTY EXECUTIVE MORTGAGE FUND
		MARSABIT COUNTY EMERGENCY FUND
		MARSABIT COUNTY CLIMATE CHANGE FUND
		MARSABIT COUNTY EDUCATION FUND

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	

TABLED BY
COMMITTEE
CLERK AT THE TABLE

CHAPTER ONE: WATER COMPANY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MARSABIT WATER AND SEWERAGE COMPANY LIMITED (MARWASCO) FOR THE FINANCIAL YEAR 2024/2025

The Governor of Marsabit County, Hon Mohamud Mohamed Ali appeared before the Committee to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Marsabit Water and Sewerage Company Limited for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Marsabit Water and Sanitation Company for the period under review on the following basis—

1. On Undisclosed Property, Plant and Equipment

The statement of financial position and Note 20 to the financial statements reflect property, plant and equipment balance of Kshs.68,219,605. Included in the balance is a Nil balance in respect to land, buildings and plant and machinery. However, audit inspection revealed that the Company is in possession of parcels of land where the head office and water treatment plant are situated, office buildings, and plant and machinery assets, which were not recognized or recorded under the property, plant and equipment.

Management Response

Management confirmed that the aforementioned assets have not been transferred from the County Executive to the Company.

Committee Observations

The Committee observed that-

1. the Company was in possession of significant assets including land, office buildings, and plant and machinery that had not been formally transferred from the County Executive, resulting in undisclosed balances in the financial statements.
2. the lack of formal asset transfer undermines the Company's ability to reflect its true financial position and manage its assets effectively.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor, through the 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 Governor ensures that the management of the water company ensures that the valuation of all assets of the water company 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 Officer 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 governor should ensure that the accounting officer undertakes 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 Officer ensures that the water company 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.**

2. Undisclosed Inventory

The statement of financial position and Note 28 to the financial statements reflect a Nil inventory balance. Further, audit review established that no annual stock take was conducted during the year and management failed to disclose the value of inventories held at the year-end, including water meters, chemicals and laboratory items, uniforms, stationery and other general store items.

Management Response

Management agreed with the auditor's observation and committed to put in place corrective measures to ensure accurate reporting. The Company has established and equipped an asset management office.

Committee Observations

The Committee observed that-

1. the Company failed to conduct an annual stock take and did not disclose inventory values in its financial statements, resulting in a materially misstated balance sheet.
2. management committed to corrective measures and indicated the establishment of an asset management office, but the current position on whether a stock take has been conducted was not demonstrated.

Committee Recommendations

The Committee recommends that the governor directs that the Accounting Officer ensures that an annual stock take is conducted at the close of each financial year and that all inventories are properly valued and disclosed in the financial statements in compliance with Section 149(2)(b) of the Public Finance Management Act, Cap. 412A. The Auditor-General should confirm compliance in the subsequent audit cycle.

EMPHASIS OF MATTER

1. Going Concern of the Company

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflect staff costs balance of Kshs.23,184,832. Included in the amount is Kshs.20,446,992 in respect of salaries for thirty-one (31) substantive staff paid by the County Government of Marsabit and not by the Company. The arrangement indicates that the Company is wholly reliant on the County Government to meet its payroll obligations, raising concerns about its going concern and ability to independently meet its current obligations as they fall due.

Management Response

Management stated that the Company is in its nascent stage and on an upward growth trend. Water being a universal right, the County Government is mandated to provide support until the company breaks even. The Board of Directors and management have a clear roadmap to ensure financial sustainability of the Company by increasing production, connectivity and revenue generation.

Committee Observations

The Committee observed that-

1. the Company is wholly dependent on the County Government for its payroll, representing Kshs.20,446,992 out of its total staff costs, which raises serious concerns about its financial viability as an independent entity.

2. management stated there is a roadmap for financial sustainability but did not provide documented evidence to support stated positions on upward growth.

Committee Recommendations

The Committee recommends that-

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

OTHER MATTER

1. Unresolved Prior Year Audit Matters

The following issues raised on Marsabit Water and Sewerage Company Limited in the previous audit report remain unresolved:

- i. **Lack of Approved Strategic Plan;**
- ii. **Non-Revenue Water;**
- iii. **Failure to Provide for Audit Fees;**
- iv. **Lack of Risk Management Policy;**

- v. Non-Retaining of Customer Deposits.

Management Response

The management confirms that 3 of the prior year audit findings have been resolved while 2 are being addressed

Committee Observations

The Committee observed that five prior year audit matters remain unresolved, including fundamental governance issues such as the absence of a strategic plan and a risk management policy. Management's response indicated a passive posture, awaiting committee recommendations rather than proactively implementing remedial measures.

Committee Recommendations

The Committee recommends that —

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects revenue balance of Kshs.24,153,423. . Included in the balance is Kshs.15,953,422 in respect of water sales-billing. Records provided for audit review showed that the Company produced a total of 109,956M3, out of which only 65,972M3 were billed to the customers.

The balance of 43,984M3, or approximately 40% of the water produced with a sale price of Kshs.16,098,144 (average sale price for the year under review of Kshs.366 per cubic meter) represents the Non-Revenue Water (NRW). This was above the allowable loss of 25% as provided for by Schedule E of the Water Service Regulatory Board (WASREB) guidelines and if not addressed may negatively impact on the Company's profitability and its long-term sustainability.

Management Response

The management confirms that there has been year on year improvement in reduction of losses associated with Non-Revenue Water (NRW). In the financial year 2022/2023, the company was unable to measure the extent of Non-Revenue Water. In the financial year 2023/2024, the company was able to ascertain its NRW level at 50%. The NRW of 40% was an improvement by 10% from the previous year. The NRW is attributed to dilapidated old distribution pipes and aging infrastructure. However, the management has put in place the NRW management unit with clear road map on reducing NRW to below the acceptable standards.

Committee Observations

The Committee observed that-

1. the Company's NRW of 40% significantly exceeds the WASREB allowable threshold of 25%, representing a revenue loss of approximately Kshs.16 million attributable to dilapidated infrastructure.
2. while management indicated an improvement from 50% to 40%, the level remains unacceptably high and the stated roadmap for further reduction was not substantiated with measurable targets.

Committee Recommendations

The committee recommends that-

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Non-Retaining of Customer Deposits

The statement of financial position and Note 44 to the financial statements reflect a Nil balance in respect of refundable deposits and prepayments. Records provided including the water meter inventory and the Company's customer base show that the Company had a total of four hundred and sixty (460) connected meters to customers. However, the Company had not required its connected customers to pay any refundable deposit on the connected water meters. Such deposits would have provided a safeguard against damaged meters and unpaid water bills in the event of account closures.

Management Response

Management agreed with the Auditors' observation and stated that it is in the process of developing a customer deposit policy to prevent any further financial risk and to enable the company recover cost in case of non-compliance or customer default.

Committee Observations

The Committee observed that-

1. the Company had 460 connected customers but none had paid any refundable deposit, leaving the Company exposed to significant financial risk from damaged meters and unpaid bills.
2. management committed to developing a customer deposit policy but this remained unfinished, representing a persistent prior year matter.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer 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 Governor should ensure that the Accounting Officer provides 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 Officer should ensure that there is full disclosure to the water company's customers on the utilization of the deposits; and

- iv. **the Accounting Officer 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.**

2. Failure to Tag Assets

The statement of financial position and Note 20 to the financial statements reflect property, plant and equipment balance of Kshs.68,219,605, included in the balance is an amount of Kshs.185,281 for office equipment, furniture and fittings and Kshs.71,050 for computers and related equipment. However, audit inspection carried out in the month of September, 2025, of sampled offices revealed that office desks, chairs and desktop computers were not tagged.

This was contrary to Regulation 132(2) of the PFM (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that processes and procedures both electronic and manual are in place for the effective, efficient, economical and transparent use of the county government entity's assets.

Management Response

Management agreed with the Auditor's observation and committed to undertake tagging of assets for the Company.

Committee Observations

The Committee observed that-

1. the Company's sampled assets including office furniture and computers were found to be untagged at the time of audit inspection in September 2025.
2. management committed to asset tagging but has not demonstrated evidence of measures put in place to implement this.

Committee Recommendations

The Committee recommends that the Governor directs the Accounting Officer to tag all assets within sixty (60) days of the adoption of this report in compliance with Regulation 132(2) of the PFM (County Governments) Regulations, 2015, and submits compliance evidence to the Auditor-General for verification in the subsequent audit cycle.

CHAPTER TWO: MUNICIPALITIES

2.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS MUNICIPALITY OF MARSABIT FOR THE FINANCIAL YEAR 2024/2025

The Governor of Marsabit County, Hon. Mohamud Mohamed Ali appeared before the Committee to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Marsabit Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

REPORT ON THE FINANCIAL STATEMENTS

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

Basis for Qualified Opinion

1. Undisclosed Property, Plant and Equipment

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.105,298,349. Included in the balance is a nil balance in respect of land. However, audit inspection revealed that the Municipality was in possession of a parcel of land where the head office is located but which was not recognized in the financial statements under the property, plant and equipment.

Management Response

Management confirms that the parcel of land referenced in the report has not been transferred from the County Executive to the Municipality and therefore could not be disclosed in the financial statements during the financial year.

Committee Observations

The Committee observed that-

1. The Municipality held physical possession of the land and head office premises; however, the formal transfer from the County Executive remained incomplete. This resulted in an undisclosed asset balance, contravening Regulations 136(1) and 132(2) of the Public Finance Management (County Governments) Regulations, 2015.
2. the non-transfer of assets from the County Executive to the Municipality reflects the broader lack of operational autonomy that continues to hamper the entity's ability to prepare accurate financial statements.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor ensures the transfer of ownership documents of assets under the Executive to the Municipality is fast tracked;**
- ii. the Governor ensures that the management of the Municipality undertakes the valuation of all assets of the Municipality 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 Officer 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.**

2. Undisclosed Depreciation Expense

The statement of financial performance and Note 16 to the financial statements reflects nil balance in respect to depreciation and amortization expense. However, furniture and fittings, computers and other assets with net book values of Kshs.2,961,400, Kshs.1,010,000 and Kshs.185,000 respectively, were not depreciated during the year under review.

Management Response

Management acknowledges the auditor's observation regarding the non-depreciation of furniture and fittings, computers and other assets in the financial statements during the year, attributing it to the absence of a depreciation policy. Management committed to putting in place a policy to guide the depreciation rates to be reported in the financial statements.

Committee Observations

The Committee observed that-

1. the Municipality did not have a depreciation policy at the time of the audit, resulting in failure to depreciate assets with a combined net book value exceeding Kshs.4 million.
2. the management committed to developing a depreciation policy to guide asset valuation in subsequent financial years however the committee did not specify a time-frame for implementation.

Committee Recommendations

The Committee recommends that the Governor ensures Municipal Manager develops and adopts an asset depreciation policy within sixty (60) days of the adoption of this report and ensures that all depreciable assets are appropriately depreciated in subsequent financial statements in compliance with Section 149(2)(b) of the Public Finance Management Act, Cap. 412A. The Auditor-General should provide a status update in the subsequent audit cycle.

OTHER MATTER

3. Unresolved Prior Year Audit Matters

The issue of Failure to Carry Out Internal Audit was raised on Marsabit Municipality in the previous audit report and the matter has not been resolved.

Management Response

The management agrees with the auditor's observation and confirms that the internal audit exercise has been done for the Municipal for half year 2025-2026.

Committee Observations

The Committee observed that-

The Municipality has not resolved the issue of failing to carry out internal audit functions, as raised in the prior year's audit report. This contravenes Section 31(1)(a) of the Public Audit Act, 2015, which requires a state organ or public entity that has been audited to submit a report on how it has addressed the recommendations and findings from the previous year's audit.

Committee Recommendations

The Committee recommends that —

- i. the Governor ensures that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(l) of

the Public Finance Management Act, Cap.412A, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply; and

- ii. **the Governor ensures that the Accounting Officer submits a comprehensive status report on all mitigation measures taken to resolve all prior year matters, to the Senate and copies the Auditor-General for verification within 90 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Compliance with Municipal Status Requirements

The statement of financial performance reflects a nil balance in respect to revenue from non-exchange transactions. However, Marsabit Municipality was conferred Municipal status despite not demonstrating the capacity to generate sufficient revenue to sustain its operations, contrary to Section 9(3)(d) of the Urban Areas and Cities Act, 2011, which requires that a town may be granted municipal status only if it has demonstrable capacity to generate adequate revenue to sustain its operations

Management Response

Management confirmed that Marsabit Municipality was conferred a charter in compliance with the Urban Areas and Cities Act, 2011, Section 9 (4). Further, the Municipality undertakes some of its key functions such as revenue collection from different streams such as rates, rents, taxes and fees and swipes the funds to the Marsabit County Revenue Fund to support service delivery in the County. These funds are reported by the Receiver of Revenue during the financial year.

Committee Observations

The Committee observed that-

1. the Municipality's collected revenues are transferred to the County Revenue Fund and not retained for its own operational purposes, making the Municipality financially dependent on the County Executive.
2. the capacity to generate sufficient revenue to sustain its own operations was not demonstrated at the time of conferment of Municipal status, which is a prerequisite under Section 9(3)(d) of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

2. Non-Implementation of Transferred Municipal Functions

Audit review established that the Municipality did not implement eighteen (18) functions ranging from development controls, flood controls, construction of roads to collection of rents, rates, taxes, duties and fees as outlined in the Kenya Gazette Notice No. 3836 of 2020 on transfer of functions to the Marsabit Municipality by the Governor of Marsabit County. Further, evidence of implementation of the transferred functions as outlined in the Kenya Gazette Notice No.3836 of 2020 was not provided. In addition, the County Executive did not transfer the financial resources necessary to support execution of these functions, contrary to Section 20(1) of the Urban Areas and Cities Act, 2011, which requires a county government to allocate adequate resources to an urban area or city for the performance of transferred functions.

Management Response

Management confirms that the Municipality is undertaking all the transferred functions either independently or in collaboration with the relevant departments and partners. For example, the Municipal collects revenues within its area of coverage on behalf of the County and swipes the funds in to the Marsabit County Revenue Fund account to support service delivery to the residents of the County. Further, the municipal undertakes waste management role in collaboration with the Department of Lands, urban development and energy.

Committee Observations

The Committee observed that-

1. the Municipality claimed to be implementing transferred functions but did not provide documented evidence of the implementation of all eighteen (18) transferred functions.
2. the County Executive had not transferred adequate financial resources to the Municipality to facilitate execution of these functions as required under Section 20(1) of the Urban Areas and Cities Act, 2011.

Committee Recommendations

The Committee recommends that-

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basic Conclusion

1. Lack of Risk Management Policy

Management did not develop a Risk Management Policy to guide on risk management assessment and formulation of risk mitigation strategies in the year under review. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to develop risk

management strategies which include fraud prevention mechanisms and internal control that builds robust business operation.

Management Response

Management noted the observation and stated that it will put in place plans to develop a County Risk Management Policy.

Committee Observations

The Committee observed that-

1. the Municipality did not have a Risk Management Policy, exposing it to unmitigated operational and financial risks.
2. management committed to developing a Risk Management Policy but did not provide any timeline or evidence of initiation of the process.

Committee Recommendations

The Committee recommends that the Governor ensures that Municipal Manager fast-tracks development of Municipality's standalone Risk Management Policy, distinct from any county-wide policy, as provided under Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, within sixty (60) days of the adoption of this report.

2. Failure to Carry Out Internal Audit Function

During the year under review, the Municipality did not conduct internal audit functions to assess the effectiveness of internal controls, compliance with laws and policies, and the efficiency of operations. This is contrary to Section 155(1) of the Public Finance Management Act, 2012, requiring county government entities to have appropriate arrangements for conducting internal audits.

Management Response

The management agrees with the auditor's observation and confirms that the internal audit exercise has been done for the Municipal for the half year of 2025-2026

Committee Observations

The Committee observed that-

The Municipality failed to carry out any internal audit functions during the year under review, constituting a breach of Section 155(1) of the Public Finance Management Act, 2012.

Committee Recommendations

The Committee recommends that the Governor pursues the Municipal Manager ensures that internal audit functions are conducted at least quarterly and that internal audit reports are submitted to the relevant oversight bodies. The Auditor-General should keep the matter in view and provide a status update in the subsequent audit cycle, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply.

3. Failure to Tag Assets

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.105,298,349. Included in the balance is furniture and fittings, and computers balances of Kshs.2,961,400 and Kshs.1,010,000 respectively. However, physical inspection carried out in the month of October, 2025 on sampled office desks, chairs and desktop computers revealed that the assets were not tagged. This is contrary to Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that processes and procedures both electronic and manual are in place for the effective, efficient, economical and transparent use of the County Government entity's assets.

Management Response

Management noted the auditor's observation and commits to put in place measures to ensure that all Municipal assets are tagged for ease of identification and tracking.

Committee Observations

The Committee observed that-

1. sampled Municipal assets including furniture, fittings and computers were found to be untagged at the time of audit inspection in October 2025.
2. management committed to implementing an asset tagging exercise but did not demonstrate evidence of measures initiated to put this in place.

Committee Recommendations

The Committee recommends that the Governor ensure the Municipal Manager tags all assets within sixty (60) days of this report's adoption, in compliance with Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015, and submits evidence of compliance to the Auditor-General for verification in the subsequent audit cycle.

CHAPTER THREE: HOSPITALS

3.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MARSABIT COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Marsabit County appeared before the Committee to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Marsabit County Referral Hospital for the financial year 2024/2025.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified opinion on the financial statements of Marsabit County Referral Hospital for the period under review on the following basis -

1. Undisclosed Property, Plant and Equipment

The statement of financial position and Note 32 to the financial statements reflects property, plant and equipment balance of Kshs.29,349,700. Included in the balance is nil balances in respect of land, buildings, furniture and fittings and medical equipment. However, review of documents maintained and physical inspection carried out in November 2025 revealed that the Hospital was in possession of land, buildings, furniture and fittings, motor vehicles and plant and medical equipment assets, but which were not recognized in the financial statements under property, plant and equipment.

Management Response

The Management agrees with the Auditors' observation. The nil balances in respect of land, buildings, furniture and fittings and medical equipment were due to non-valuation of the mentioned assets. We confirm that the management has initiated the process of asset valuation and assets tagging. A Directorate of Asset management department has been established at the County Treasury to over- see all assets are valued and tagged in the shortest time possible across all County departments.

Committee Observations

The Committee observed that-

1. the Hospital was in possession of significant assets including land, buildings, and medical equipment that had not been valued and therefore not recognized in the financial statements.
2. management's response indicated that a Directorate of Asset Management is being established at the County Treasury, but no timeline was provided for the completion of asset valuation.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages 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 Governor ensures that the management of the hospital undertakes 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 Officer 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 Governor, through the Accounting Officer ensures 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.**

2. Undisclosed Depreciation Expense

The statement of financial performance and Note 18 to the financial statements reflects nil balance in respect of depreciation and amortization expense. However, ICT equipment and oxygen plant with net book values of Kshs.3,036,000 and Kshs.26,313,700 respectively, were not depreciated during the year under review.

Management Response

Management acknowledges the auditor's observation regarding the non-depreciation of ICT equipment and oxygen plant in the financial statements during the year, which is attributed to the lack of a depreciation policy in place. The management committed to putting in place a policy to guide the depreciation rates to be reported in the financial statements.

Committee Observations

The Committee observed that-

- a) the Hospital did not have a depreciation policy at the time of the audit, resulting in failure to depreciate ICT equipment and an oxygen plant with a combined net book value of approximately Kshs.29 million.**

- b) management committed to developing a depreciation policy but no evidence of initiation was provided.

Committee Recommendations

The Committee recommends that the Governor ensures the Hospital Board of Management, once constituted, develops and adopts an asset depreciation policy within sixty (60) days of its establishment, and that all depreciable assets are appropriately depreciated in subsequent financial statements, in compliance with Section 149(2)(b) of the Public Finance Management Act, Cap. 412A.

3. Long Outstanding Receivables

The statement of financial position and Note 29 to the financial statements reflects receivables from exchange transactions balance of Kshs.24,042,519. Included in the balance is an amount of Kshs.9,933,500 in respect of claims from the defunct National Health Insurance Fund that has remained outstanding for more than two (2) years.

Management Response

Management confirms that the long outstanding receivables of Kshs.9,933,500 related to defunct NHIF unreimbursed claims. The management has regularly followed up with SHA for clearance of the debt.

Committee Observations

The Committee observed that-

Receivables totaling KShs 9,933,500 from the defunct NHIF have remained outstanding for over two years, raising concerns about their recoverability and impact on the Hospital's cash flow. Management states it has followed up with SHA but provided no documented evidence of the correspondence or SHA's response.

Committee Recommendations

The Committee recommends that-

- i. the Accounting Officer ensures 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 Governor ensures the Accounting Officer 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 on the matter in the subsequent audit cycle; and

- iii. the Governor ensures the Accounting Officer 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 and the Auditor-General to provide a status update on the same during the subsequent audit cycle.

OTHER MATTER

Unresolved Prior Year Audit Matters

The following issues raised on Marsabit County Referral Hospital in the previous year audit report remain unresolved:

- 1) Unaccounted Laboratory Chemical Reagents and Radiology Supplies;
- 2) Undisclosed Property, Plant and Equipment;
- 3) Failure to Conduct Annual Stock Taking;
- 4) Inadequacies in Universal Health Care as Per Kenya Quality Model for Health;
- 5) Casuals Engaged for More Than Three Months Continuously;
- 6) Failure to Establish the Hospital's Board of Management;
- 7) Failure to Develop Risk Management Strategy;
- 8) Weaknesses in Inventory Management;
- 9) Failure to have Internal Audit Arrangements.

Management Response

The Management confirms resolving 5 prior year audit issues during the Senate appearance on 25th September, 2025 while 4 issues are in the process of being addressed.

Committee Observations

The Committee observed that-

1. The Committee observed that, despite Management's claims, 9 prior year audit issues persist, with only partial progress reported. This indicates weak implementation of audit recommendations and ongoing governance lapses, particularly in asset management.
2. The absence of the Hospital Board of Management and risk strategy undermines accountability.

Committee Recommendations

The Committee recommends that —

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Casuals Engaged for More Than Three Months Continuously

The statement of financial performance and Note 16 to the financial statements reflects costs balance of Kshs. 24,351,392. Included in the balance is Kshs. 6,120,000 in respect of expenditure on twenty-six (26) casual workers engaged by the Hospital. However, the casuals' engagement was not supported with approval by the County Public Service Board, letters of temporary employment and pertinent information such as date of hire, period served, duties performed and qualifications of the casuals was not provided for audit. In addition, during the year under review, the casuals were engaged for twelve (12) months continuously. This was contrary to Section 37(1)(b) of the Employment Act, 2007 which states that where a casual employee performs work for more than three months, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and Section 35(1)(c) shall apply to that contract of service. This exposes the Hospital to litigation for unlawful terms of employment.

Management Response

Management agrees with the auditor's observation and commits to put in place corrective measures that will enhance compliance with the law.

Committee Observations

The Committee observed that-

- a) twenty-six (26) casual employees were engaged continuously for twelve (12) months without CPSB approval or proper employment documentation, contravening Section 37(1)(b) of the Employment Act, 2007.
- b) management committed to corrective measures but did not provide evidence of actions taken or the current employment status of the casual workers.

Committee Recommendations

The Committee recommends that the Governor direct the Board of Directors and Accounting Officer to ensure the Hospital complies with Section 37(1)(b) of the Employment Act, Cap. 226. All future casual employee engagements must be approved by the County Public Service Board, properly documented, and limited to three months unless converted to contractual terms.

2. Non-Compliance with Universal Health Coverage Requirements

As previously reported, verification of services offered, equipment used and number of members of staff at the Hospital revealed that, the Hospital operated with inadequate staff and equipment as detailed below:

	Level 4 Hospital Requirements	Available	Shortfall
Medical Officers	16	8	8
Anesthesiologists	2	0	2
Gynecologists	2	1	1
Pediatrics	2	1	1
Radiologists	2	1	1
Pharmacist	4	2	2
Equipment			
Functional ICU beds	6	1	5
Functional HDU Beds	6	5	1
Functional theatres - Maternity, general, orthopedic, pediatrics, ENT, dental and ophthalmology	7	2	5
Maternity department ward for six delivery coaches	6	4	2
New Born Unit with five (5) HDU cots	5	3	2

Management Response

Management confirms that the Hospital provides uninterrupted services and operates optimally based on hospital service areas and needs. In order to meet Kenya Quality Model for Health Policy Guidelines, the management commits to progressively provide staffing and equipment needs for the Hospital.

Committee Observations

The Committee observed that-

- a) the Hospital's staff complement and medical equipment did not meet the requirements of the Kenya Quality Model for Health, with critical gaps including no anaesthesiologist and only 1 functional ICU bed against a requirement of 6.
- b) management committed to progressive improvement but did not provide a structured plan with measurable targets or timelines.

Committee Recommendations

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's 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 Governor ensures the hospital develops and implements 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 Governor ensures the officer in charge of the facility has 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.

3. Failure to Establish the County Referral Hospital's Board of Management

As previously reported, review of the annual report and financial statements revealed that the Hospital's Board of Management had not been established. This is contrary to Section 5 of the Marsabit County Health Services Act, 2016 which provides for the

establishment and composition of County Referral Hospital Management Board which is to be constituted and gazetted by the County Executive Member for Health in consultation with the Governor and other stakeholders.

Management Response

The management confirms that the process of establishing Hospital Board is in the final stages.

Committee Observations

The Committee observes the persistent delay in constituting the Board, now spanning multiple audit cycles, despite legal requirements and prior recommendations exposing the Hospital to operational risks and potential legal non-compliance. Management's vague claim of "final stages" lacks evidence, such as timelines or documentation, undermining credibility.

Committee Recommendations

The Committee recommends that

- 1. the Governor directs the County Executive Member for Health to constitute and gazette the Hospital Board of Management within thirty (30) days of this report's adoption in full compliance with Section 5 of the Marsabit County Health Services Act, 2016,**
- 2. the Accounting Officer submit evidence of gazette to the Auditor-General within seven (7) days thereafter, and that the Auditor-General confirm compliance in the subsequent audit cycle.**

8. Non-Compliance with Data Protection Requirements

Audit review established that the Hospital had not registered with the Office of the Data Protection Commissioner (ODPC) as a data controller and data processor, despite actively collecting, processing, and storing personal data of staff, service providers and patients during the year under review. This is contrary to Section 18(1) of the Data Protection Act, 2019 requires that data controllers and data processors who process personal data must register with the Office of the Data Protection Commissioner (ODPC).

Management Response

The management agrees with the Auditor's observation and commits to ensure that the Hospital is registered with the Office of the Data Protection Commissioner as a data controller and data processor as required by the law.

Committee Observations

The Committee observed that-

1. the Hospital had not registered with the ODPC as a data controller and data processor despite processing significant amounts of sensitive personal data including patient medical records.
2. management confirmed that an application has been filed with the ODPC and provided evidence of the duly filed application form and proof of payment.

Committee Recommendations

Noting the mitigating measures taken by management, the Committee recommends that the Governor directs that the Accounting Officer ensures that the ODPC registration is completed and that the Hospital thereafter maintains full compliance with the Data Protection Act, 2019, including the development of a data protection policy and staff training on data handling procedures. The Auditor-General to keep the matter in view and confirm registration in the subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Lack of an Audit Committee

During the year under review, the Hospital operated without an Audit Committee, contrary to Regulation 167(1) of the PFM (County Governments) Regulations, 2015, together with Gazette Notice No. 2690(1), which states that subject to paragraph (2) of this regulation, each County Government entity shall establish an Audit Committee

Management Response

Management stated that it is awaiting the establishment of the Hospital Board from which the Hospital Audit Committee shall be constituted.

Committee Observations

The Committee observed that-

1. the Hospital has been operating without an Audit Committee, a persistent governance gap that is directly linked to the failure to constitute the Hospital Board of Management.

2. the absence of an Audit Committee means that internal audit functions and risk management have not been subject to independent oversight, undermining financial accountability.

Committee Recommendations

The Committee recommends that the Governor fast-tracks the constitution of the Hospital Board of Management as directed under the recommendation on Issue 7 above, which shall then immediately facilitate the establishment of the Audit Committee. The Auditor-General should provide a status update in the subsequent audit cycle.

2. Failure to Tag Assets

The statement of financial position and Note 32 to the financial statements reflects property, plant and equipment balance of Kshs.29,349,700. Included in the balance is Kshs.3,036,000 in respect of ICT equipment's. However, audit inspection carried out in the month of October, 2025 of sampled computers revealed that the assets were not tagged. This was contrary to Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that processes and procedures both electronic and manual are in place for the effective, efficient, economical and transparent use of the County Government entity's assets.

Management Response

The Management has noted the auditor's observation and committed to put in place measures to ensure that all the Hospital assets are tagged for ease of identification and tracking.

Committee Observations

The Committee observed that-

1. sampled Hospital ICT assets were found to be untagged at the time of audit inspection in October 2025.
2. management committed to asset tagging but has not demonstrated evidence of measures put in place to implement this.

Committee Recommendations

The Committee recommends that the governor directs that the Accounting Officer ensures all assets are tagged within sixty (60) days of the adoption of this report in compliance with Regulation 132(2) of the PFM (County Governments) Regulations, 2015, and submits evidence of compliance to the Auditor-General for verification in the subsequent audit cycle.

11. Lack of Risk Management Policy

As previously reported, management did not provide evidence of the existence of a Risk Management Policy to guide its management on risk management assessment and formulation of risk mitigation strategies in the year under review. This is contrary to Regulation 158(1)(a) and (b) of the PFM (County Governments) Regulations, 2015, which requires the Accounting Officer to develop risk management strategies including fraud prevention mechanisms and internal control that builds robust business operations.

Management Response

Management noted the observation and stated that it will put in place plans to develop a County Risk Management Policy.

Committee Observations

The Committee observed that-

1. the Hospital does not have a Risk Management Policy, and this is a recurring prior year matter that management has acknowledged but not yet resolved.
2. management committed to developing a County Risk Management Policy but did not provide any timeline or evidence of initiation of the process.

Committee Recommendations

The Committee recommends that the Governor, through the Accounting Officer, ensures that the Hospital develops a standalone Risk Management Policy, distinct from any county-wide policy, within sixty (60) days of the adoption of this report as required by Regulation 158(1) of the PFM (County Governments) Regulations, 2015. Evidence of the approved policy shall be submitted to the Auditor-General for verification.

ANNEXTURES

Minutes

PAPERS LAID	
DATE	26/3/2026
TABLED BY	Sen. Charanney
COMMITTEE	C.P.I.S.F
CLERK AT THE TABLE	Belindali



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY FIRST SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON TUESDAY, 24TH MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 3.00 P.M.

PRESENT

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

ABSENT WITH APOLOGY

- | | |
|---------------------------------|--------------------|
| 9. Sen. Eddy Gicheru Oketch, MP | - Vice-Chairperson |
|---------------------------------|--------------------|

SECRETARIAT

- | | |
|----------------------|-----------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 3. Mr. Khatib Omar | - Clerk Assistant III |
| 4. Mr. Victor Kimani | - Audio officer |

A. OFFICE OF THE AUDITOR GENERAL

Mr. Mark Gachanja	Liasion
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B. ETHICS AND ANTI CORRUPTION COMMISSION

Mr. Patrick Kinoti	-Liaison Officer
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MIN. NO. SEN/CPICSF/377/2026 PRAYER

The meeting was called to order by the Chairperson at ten minutes past three O'clock in the afternoon followed by a word of prayer.

MIN. NO. SEN/CPICSF/378/2026 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. Agnes Kavindu Muthama, MP and seconded by Sen. George Mungai Mbugua, 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/379/2026 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. Embu Report

Sector	No.	Entity
Water Companies	4	Ngandori water and sanitation company
		Nyagaka water and sanitation
		Embe water and sanitation company limited
		Embu water and sanitation company
Municipality	1	Embu municipality
Hospitals	4	Embu level 5 hospital
		Mbeere sub county hospital
		Runyenjes sub county hospital
		Ishiara sub county hospital
Funds	5	Embu county education support fund
		Embu county climate change fund
		Embu county executive car & mortgage fund
		Embu county government emergency fund

2. Kirinyaga Report

Sector	No.	Entity
Water Companies	2	Kirinyaga County Water and Sanitation plc(KICOWASCO)
		Rukanga Makutano Water and Sanitation plc. (RUMAWASCO)
Municipalities	1	Kerugoya -kutus municipal
Hospitals	3	Sagana sub - county level 4 hospital
		Kianyaga sub county level 4 hospital
		Kimbimbi sub county level 4 hospital
Funds	6	Kirinyaga county executive emergency fund
		County Government of Kirinyaga Executive Mortgage Fund
		Kirinyaga executive car loan & mortgage fund
		Kirinyaga county alcoholic drinks control fund
		Kirinyaga county climate change fund
		Kirinyaga county executive bursary fund

3. Lamu

Sector	No	Entity
Water company	1	Lamu water and sewerage company limited.
Municipality	1	Lamu municipality
Hospitals	3	Lamu county referral hospital
		Faza sub-county hospital
		Mpeketoni sub-county hospital
Funds	4	Lamu county bursary and scholarship fund

		Lamu county climate change fund
		Lamu county emergency fund
		Lamu county executive staff housing fund.

4. Mandera Report

Sector	No.	Entity
Water companies	2	Mandera water and sewerage company (MANDWASCO)
		Elwak water and sanitation company
Municipalities	2	Elwak municipality
		Mandera municipality
Hospital	7	Banisa Sub-County Hospital Kotulo Sub-County Referral Hospital Lafey Sub-County Hospital Mandera Central Sub- County Hospital Mandera County Referral Hospital Mandera North Sub- County Hospital Mandera West Sub-County Hospital
Funds	2	Mandera county climate change fund
		Mandera county education bursary fund

5. Mombasa Report

Sector	No.	Entity
Water company	1	Mombasa water supply and sanitation company
Hospitals	5	Likoni sub-county level 4 hospital
		Tudor sub-county level 4 hospital
		Mrima sub-county level 4 hospital

		Portreitz Sub-County level 4 hospital
		Coast General Teaching & Referral Hospital
Funds	2	Mombasa Alcohol Drinks Control Fund
		Mombasa County Elimu Scheme

6. Murang'a Report

Sector	No.	Entity
Water companies	5	Gatamathi water and sanitation company Gatanga water and sanitation plc Kahuti (Murang'a west) water and sanitation company limited Murang'a south water and sanitation company (MUSWASCO) Murang'a water and sanitation company (MUWASCO) limited
Municipalities	3	Kangari Municipality Kenol Municipality Murang'a Municipality
Hospitals	4	Kandara Sub-County Hospital Kigumo level 4 hospital Maragua Sub- County level 4 hospital Murang'a level 5 hospital
Funds	4	Murang'a county government education and scholarship fund Murang'a county agricultural farm inputs subsidy & incentive fund (afis fund) Murang'a county climate change fund Murang'a county youth fund

7. Nyamira Report

sector	no.	entity
Municipality	1	Nyamira municipality
Hospitals	4	Esani level 4 hospital
		Manga level 4 hospital
		Masaba level 4 sub-county hospital
		Nyamira county referral hospital
Funds	4	Nyamira county education support fund
		Nyamira county emergency fund
		Nyamira county mortgage & car loan (executive) fund
		Nyamira county climate change fund

8. Tana River Report

Sector	No.	Entity
Water company	1	Tana River Water and Sanitation Company Limited
Municipality	1	Hola municipality
Funds	3	Tana river county climate change fund
		Tana river county disaster risk management fund
		Tana river county ward bursary fund

9. Tharaka Nithi Report

Sector	No.	Entity
Water company	1	Nithi water and sanitation company limited
Municipalities	2	Chuka municipality
		Kathwana municipality
Hospitals	3	Chuka referral hospital

4. Iten County Referral Hospital
5. Tambach Sub-County Hospital
6. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
7. Elgeyo Marakwet Alcoholic Drinks and Control Fund-Executive
8. Elgeyo Marakwet Car and Mortgage Revolving Fund-Executive
9. Elgeyo Marakwet County Climate Change Fund
10. Elgeyo Marakwet Education Fund-Executive.

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 forty-five minutes past five o'clock in the afternoon. The next meeting would be called on notice.



SIGNED: DATE: 24/3/2026

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