

PARLIAMENT
OF KENYA
LIBRARY

REPUBLIC OF KENYA



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

WS
Recommended for
approval for tabling -
Eg 31/03/2026

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 NAROK COUNTY WATER COMPANY, MUNICIPALITIES, HOSPITAL AND FUNDS FOR THE FINANCIAL YEAR 2024/2025 (1st JULY, 2024 TO 30th JUNE, 2025):

SECTOR	NO.	ENTITY
WATER COMPANY	1	NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED (NARWASSCO)
MUNICIPALITIES	2	KILGORIS MUNICIPALITY NAROK MUNICIPALITY
HOSPITAL	1	NAROK COUNTY REFERRAL HOSPITAL
FUNDS	3	MAASAI MARA COMMUNITY SUPPORT FUND ALCOHOLICS DRINKS REGULATION AND CONTROL FUND BURSARY MANAGEMENT FUND

DC-EG
Forwarded as recommended for
approval for tabling
31/03/2026

MARCH, 2026

TABLE OF CONTENTS

ACRONYMS/ABBREVIATION3

DEFINITION OF TERMS4

PREFACE5

COMMITTEE MEMBERSHIP6

ESTABLISHMENT OF THE COMMITTEE7

EXECUTIVE SUMMARY8

REPORT STRUCTURE9

GENERAL OBSERVATIONS FOR THE WATER COMPANY10

GENERAL RECOMMENDATIONS FOR THE WATER COMPANY11

GENERAL OBSERVATIONS FOR THE MUNICIPALITIES13

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITIES13

GENERAL OBSERVATIONS FOR THE HOSPITALS15

GENERAL RECOMMENDATIONS FOR THE HOSPITALS16

ACKNOWLEDGEMENTS18

CHAPTER ONE: WATER COMPANY21

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAROK WATER & SEWERAGE SERVICES COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025
 21

CHAPTER TWO: MUNICIPALITIES41

2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF KILGORIS FOR THE FINANCIAL YEAR 2024/202541

2.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF NAROK FOR THE FINANCIAL YEAR 2024/202550

CHAPTER THREE: HOSPITAL57

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAROK COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/202557

CHAPTER FOUR: FUNDS78

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAROK FUNDS FOR THE FINANCIAL YEAR 2024/202578

ACRONYMS/ABBREVIATION

AIE	Authority to Incur Expenditure
AOG	Office of the Auditor-General (alternative)
CECM	County Executive Committee Member
COB	Controller of Budget
CRA	Commission on Revenue Allocation
eGPS	electronic Government Procurement System
GIS	Geographic Information System
HMIS	Health Management Information System
IAS	International Accounting Standards
ICPAK	Institute of Certified Public Accountants of Kenya
IFMIS	Integrated Financial Management Information System
IGRTC	Inter-Governmental Relations Technical Committee
IPSAS	International Public Sector Accounting Standards
KMPDC	Kenya Medical Practitioners and Dentists Council
KRA	Kenya Revenue Authority
M&E	Monitoring and Evaluation
NARWASSCO	Narok Water and Sewerage Services Company Limited
NCBA	NCBA Bank (commercial bank)
NHIF	National Hospital Insurance Fund
NITA	National Industrial Training Authority
NRW	Non-Revenue Water
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAA	Public Audit Act
PAYE	Pay As You Earn
PFM	Public Finance Management
PPADA	Public Procurement and Asset Disposal Act
PSASB	Public Sector Accounting Standards Board
SHA	Social Health Authority
UHC	Universal Health Coverage
WASREB	Water Services Regulatory Board
WIBA	Work Injury Benefits Act
WRA	Water Resources Authority

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 exercise oversight over national revenue allocated to the county governments. The Select Committee on County Public Investments and Special Funds is established pursuant to Standing Order No. 194 of the Senate Standing Orders and is mandated to-

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Narok County Water Company and Municipalities for the Financial Year 2024/2025. The entities considered include Narok Water and Sewerage Services Company Limited (NARWASSCO); Kilgoris Municipality, Narok Municipality; Narok County Referral Hospital, Ololulung, a Sub County Hospital, Trans Mara West Sub County Hospital and Logorian Sub County Hospital.

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

COMMITTEE SECRETARIAT

- | | |
|------------------------------|----------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Erick Njogu | - Clerk Assistant II |
| 3. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 4. Mr. Khatib Omar | - Clerk Assistant III |
| 5. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 6. Mr. Jeremy Chabari | - Legal counsel |
| 7. Mr. Erick Ososi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana Kahindi | - Research Officer III |
| 11. Ms. Janice Lekuton | - Research Officer III |
| 12. Ms. Hamun Abdille | - Research Officer III |
| 13. Mr. David Munene | - Research Officer III |
| 14. Mr. Josphat Ng'eno | - 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 Narok water company, municipalities and hospitals 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 Narok as the Chief Executive Officer pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under consideration.

The Committee received written evidence from the Governor, 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 Narok County for the Financial Year 2024/2025. The entities covered are: one (1) water company- Narok Water and Sewerage Company Limited (NARWASSCO); (2) Municipalities – Kilgoris Municipality and Narok Municipality; and four (4) Hospitals – Narok County Referral Hospital, Ololulung, a Sub County Hospital, Trans Mara West Sub County Hospital and Logorian Sub County Hospital

Three entities received Qualified Opinion, while Kilgoris Municipality received a Disclaimer 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: inaccuracies in the financial statements; inaccuracies in property plant and equipment; unsupported documentation; unresolved prior year audit matters; budgetary control issues; over-reliance on County Government transfers; non-funding of the Municipalities; non-compliance with procurement regulations; non-compliance with law on recruitment of staff living with disabilities; non-compliance with the requirements on Universal Health Care (UHC) and weaknesses in internal controls and governance.

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 Narok Water Company for the Financial Year 2024/2025, 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 Narok Municipalities for the Financial Year 2024/2025, 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 Narok Hospitals for the Financial Year 2024/2025, along with the Committee's observations and recommendations for each audit query.

GENERAL OBSERVATIONS FOR THE WATER COMPANY

The Committee made the following general observations regarding the operations and financial management of Narok Water Company under review: -

1. **Non-Revenue Water (NRW)** – The Committee observed that the Water Company recorded NRW levels of 33%, that significantly exceeded the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB). This was mostly attributed to physical losses from dilapidated infrastructure, commercial losses from inaccurate meter reading and billing, and illegal connections.
2. **Deficiencies in Financial Reporting** – The Committee noted widespread inaccuracies and errors in the preparation and presentation of financial statements. Furthermore, both Accounting Officers and Managing Directors exhibited challenges in complying with Section 62 of the Public Audit Act, Cap. 412B, by failing to submit supporting documents to auditors on time. This impedes the accountability and audit process, while the persistent delays in finalizing complete financial statements point to a lack of requisite competencies and experience within the entities.
3. **Material Uncertainty Regarding Going Concern** – The committee noted that the water company reported negative working capital during the review period, rendering it unable to meet short-term financial obligations as they fall due. Its continued operation is heavily reliant on financial support from County Executive or development partners, raising material doubts about their long-term financial sustainability.
4. **Weak Budgetary Control and Performance** – The Committee observed that the water company had widespread weaknesses in budget execution. The Water company frequently failed to adhere to approved budget ceilings, resulting in either over-utilization or under-utilization of appropriated funds.
5. **Incomplete Transfer of Assets and Liabilities** – The Committee observed that the water company had not fully completed the transfer of assets and liabilities from the defunct local authorities and Regional Water Works Development Agencies, as required by the Water Act, Cap.372. This omission prevents it from presenting a true and fair view of their financial position in their books of account.
6. **Lack of an Updated Fixed Asset Register** – The Committee observed that the water company failed to maintain and update their fixed asset registers, contrary to National Treasury Circular No. 5/2020. This omission exposes company assets to significant risks, including loss, waste, and misuse. The Committee further noted that the National Treasury issued a circular no. 5/2020 of 25th February 2020 on the preparation of asset registers for entities in County Governments.

GENERAL RECOMMENDATIONS FOR THE WATER COMPANY

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

1. **Mitigation of Non-Revenue Water** - The Governor ensures the Board of Directors and Accounting Officers institute comprehensive measures to reduce Non-Revenue Water, addressing both physical and commercial losses. These measures should include the adoption of Geographic Information System (GIS) technology for real-time detection of bursts and leakages, installation of smart meters to ensure accurate billing, rehabilitation of dilapidated infrastructure, and the development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections. Furthermore, management should disclose the proportional breakdown of physical and commercial losses, expressed as percentages, in their periodic reports.
2. **Enhancement of Record Keeping and Audit Compliance** - The Governor ensures the Board and Accounting Officers maintain proper record keeping and provide all requisite supporting documents to the Auditor-General in accordance with Section 9(1)(e) of the Public Audit Act, Cap. 412B, within the stipulated audit timelines. Adherence to the provisions of the Accountants Act, Cap. 531, is mandatory. Failure to comply with these requirements shall necessitate the invocation of Section 62 of the Public Audit Act by the Committee.
3. **Strengthening Financial Sustainability and Asset Management** - The Board, Accounting Officers and the County Government should review and regularizing existing assets, finalizing service provider agreements from the defunct local authorities, and maintaining updated asset registers that accurately reflect the current financial position. Companies must determine and ascertain their commercial viability as required by the PSASB. Any financial support received from the County Executive should be clearly classified in the books of account as either a conditional grant or a donation, and should not be treated as a direct transfer. Furthermore, County Governor, through the County Executive Committee member responsible for water, is urged to monitor the financial operations of water companies pursuant to Section 184 of the Public Finance Management Act, Cap. 412A.
4. **Prudent Budgetary Planning and Control** – The Governor ensures the Board and accounting officers prepare realistic budgets and revenue projections to prevent issues of revenue shortfalls, that negatively impact service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified. The Board must also seek the necessary statutory approvals by forwarding budget estimates to the County Executive Committee member for water, who

shall subsequently submit them to the County Treasury as required by law. Additionally, water companies are encouraged to automate their billing systems to enhance revenue collection efficiency.

5. **Expediting Transfer of Assets and Liabilities** - The Governor should engage the Inter-Governmental Relations Technical Committee (IGRTC) and the relevant Regional Water Works Development Agencies to fast-track on the transfer of the assets and liabilities so that they reflect a true position of the companies in their books of account.
6. **Maintenance of Updated Fixed Asset Registers** – The Governor through the Board of Directors and the managing director ensures the water company maintains updated fixed asset registers in compliance with section 136 (1) of the Public Finance Management (County Government) Regulations, 2015 and in the format prescribed by the National Treasury and submit the same to the Auditor-General within 60 days from the adoption of this report.

GENERAL OBSERVATIONS FOR THE MUNICIPALITIES

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

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. This contravened sections 12 on Management independence, 20 on functional independence, 45 and 46 on financial independence of the Urban Areas and Cities Act, 2011 CAP. 275, which collectively guarantee municipalities the autonomy necessary for effective governance.
2. **Asset Management-** The Committee observed that the assets belonging to municipality were still being held and managed by the county executive. Consequently, this made the municipalities not to maintain and update the asset registers which was contrary to section 104(1)(h) of the Public Finance Management Act, 2012 . Thus, the true financial position of the municipalities could not be reflected in the financial statements.
3. **Late Submission of Audit Documents**– The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents by municipality during the audit process. This delay hinders the accountability and audit process and contravenes Section 62 of the Public Audit Act, Cap. 412B, which mandates timely provision of documentation.
4. **Weak Budgetary Control and Performance** – The Committee observed that municipality had weaknesses in executing their approved budgets and did not adhere to the approved budget ceilings set for programs. The municipality either over-utilized or under-utilized the appropriated funds.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITIES

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

1. **Enforcement of Municipal Autonomy** - The Governor ensures the County Executive Committee member responsible for lands, housing, and urban development should, 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 Municipal Boards and Managers. 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. **Transfer of Assets and Maintenance of Asset Registers** -The Governor ensures the County Executive Committee member responsible for finance and economic planning shall, within sixty (60) days of the adoption of this report, execute a formal instrument transferring custody and management of all assets belonging to the municipality. Upon transfer, the Municipal Manager shall immediately cause the preparation and regular updating of a comprehensive fixed asset register in compliance with Section 104(1)(h) of the Public Finance Management Act, 2012, and National Treasury guidelines. A copy of the transferred asset register shall be submitted to the Auditor-General within thirty (30) days of completion.
3. **Timely Submission of Audit Documents** - The Governor through the Municipal Manager and the head of finance, is hereby directed to ensure that all supporting documents requested by the Auditor-General are submitted within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B. The Municipal Board shall institute an internal tracking mechanism to monitor compliance, and any officer found to have caused undue delay shall be subject to disciplinary action.
4. **Adherence to Approved Budgets** - The Governor ensures the Municipal Manager enforces strict adherence to approved budget ceilings for all programs and should ensure that any reallocation of funds between programs receives prior written approval from the Municipal Board and, where required, the County Treasury. A quarterly budget performance report shall be prepared and submitted to the Municipal Board for review.

GENERAL OBSERVATIONS FOR THE HOSPITALS

The Committee observed that-

- 1. Non-Compliance with Kenya Quality Model for Health Policy Guidelines -**
The Committee observed that the hospitals did not fully comply with the Universal Healthcare standards as they were inadequately staffed and were not equipped with all the medical equipment for the hospitals to be fully operational.
- 2. Non-Remittance of Statutory Deductions –** The Committee observed that the hospitals failed to remit NITA, SHA, Affordable Housing Levy, NSSF, PAYE, WIBA payments which contravenes the National Industrial Training Act, Section 48(1) of the Social insurance Act 2023, Section 20(1) of the NSSF Act 2023 and Section 7 of the Work injury Benefits Act 2007 respectively.
- 3. Inaccuracies of the Financial Statements -** The Committee observed that there were inaccuracies and errors in regards to the preparation and presentation of financial statements in almost all hospitals. Further, the Accountants, and the Managing Directors faced challenges in submitting supporting documents to the auditors on time, contrary to Section 62 of the Public Audit Act, Cap. 412B. This impedes the accountability and audit process. The persistent delays in preparing complete financial statements indicate a lack of requisite competencies and experience within hospital finance departments.
- 4. Non-Compliance with Ethnic Inclusivity Requirements -** The Committee observed that some hospitals are non-compliant with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, which requires that all public offices seek to represent the diversity of the people of Kenya in staff employment and that no public institution shall have more than one-third of its establishment from the same ethnic community. Additionally, Section 65(1)(e) of the County Government Act, Cap. 265, requires that at least 30% of vacant posts at the entry level be filled by candidates who are not from the dominant ethnic community in the county. The Committee noted with concern that some hospitals, such as Migori County Level 4 Hospital, had 92% of their staff originating from the same ethnic community.
- 5. Weak Budgetary Control and Performance–** The Committee observed that a number of hospitals exhibit weaknesses in budget execution and fail to adhere to approved budget ceilings for programs. Hospitals were observed to either over-utilize or under-utilize appropriated funds. In some instances, funds were reallocated to items that were not budgeted for without prior approval by the Board of Directors. Additionally, hospitals experience high revenue shortfalls attributable to unrealistic budgeting and poor revenue forecasting.
- 6. Incomplete Transfer of Assets and Deficient Asset Registers:** The Committee observed that most hospitals have not fully taken custody of assets from the County Executive and consequently do not maintain updated fixed asset registers

as required by Section 149(2)(o) of the Public Finance Management Act, 2012, Cap. 412A. As a result, these hospitals are unable to reflect their correct financial position in their books of account, exposing assets to risk of loss, misuse, or misappropriation.

GENERAL RECOMMENDATIONS FOR THE HOSPITALS

The Committee recommends that-

1. **Compliance with Kenya Quality Model for Health Policy Guidelines** - The Governor should ensure the Accounting Officer submit 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 encourage the ongoing training and prioritize new recruitments to fill gaps in medical personnel, ensuring specialized services can be offered in-house.
2. **Remittance of Statutory Deductions** – The Governor should ensure that the accounting officer ensures compliance with the National Industrial Training Act, Section 48(1) of the Social Insurance Act 2023, Section 20(1) of the NSSF Act 2023 and Section 7 of the Work Injury Benefits Act 2007, and remit the statutory deductions to avoid penalties.
3. **Capacity Building on Financial Reporting Standards** - The Governor, through the Board of Directors, 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 hospitals to improve the quality of reporting and enhance compliance. The Board should ensure that accountants possess the requisite competency and experience in financial management as required by the Accountants Act. Furthermore, the Accounting Officer should ensure compliance with the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of accounts, improve the preparation of financial statements, and ensure timely submission of statements and documents to the Auditor-General.
4. **Compliance with Ethnic Inclusivity Requirements** - The Board and County Government should make deliberate and progressive efforts to comply with Section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, and Section 65(1)(e) of the County Governments Act, Cap. 265, regarding diversity, the realization of the one-third rule in public sector recruitment, and ethnic inclusivity. To this end, the Board and County Governments should develop and

adopt a formal diversity policy aimed at achieving full compliance with the law. Compliance status shall be reviewed in the subsequent audit period.


5. **Preparation of Realistic Budgets and Revenue Projections** - The Governor ensures the Board and Accounting Officers prepare realistic budgets and revenue projections to avert revenue shortfalls that negatively impact hospitals' service delivery. In the budget preparation process, the Board should consider previous budgetary allocations and ensure that any proposed increases are reasonable and justified. Additionally, the Board should seek the necessary approvals by forwarding budget estimates to the County Executive Committee member for health, who shall then submit them to the County Treasury as required by law. Further, hospitals should automate their billing systems to enhance revenue collection and financial control.
6. **Transfer of Assets and Maintenance of Fixed Asset Registers** - The Governor should ensure that all assets are formally transferred to hospitals to enable them to reflect their true financial position in their books of account. The Board of Directors and the Managing Director should ensure that hospitals maintain updated fixed asset registers pursuant to Section 136(1) of the Public Finance Management (County Government) Regulations, 2015, in the format prescribed by the National Treasury, and submit the same to the Auditor-General within sixty (60) days of the adoption of this report.

ACKNOWLEDGEMENTS

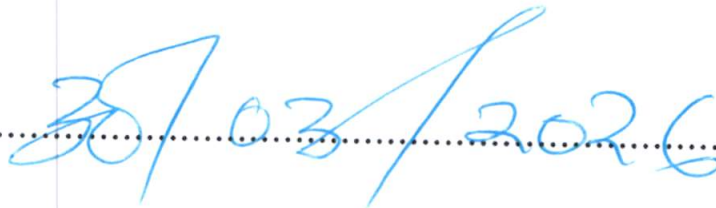
The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in considering the audit reports. The Committee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


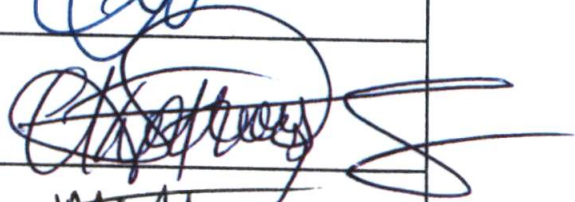
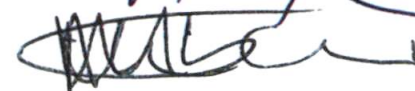
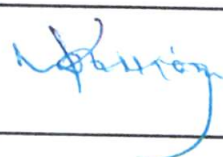



**HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP
CHAIRPERSON**

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

SECTOR	NO.	ENTITY
WATER COMPANY	1	NAROK WATER AND SEWERAGE SERVICES COMPANY LIMITED (NARWASSCO)
MUNICIPALITIES	2	KILGORIS MUNICIPALITY
		NAROK MUNICIPALITY
HOSPITAL	1	NAROK COUNTY REFERRAL HOSPITAL
FUNDS	3	MAASAI MARA COMMUNITY SUPPORT FUND
		ALCOHOLICS DRINKS REGULATION AND CONTROL FUND
		BURSARY MANAGEMENT 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	

CHAPTER ONE: WATER COMPANY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAROK WATER & SEWERAGE SERVICES COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of Narok Water and Sewerage Services Company Limited (NARWASSCO) for the financial year 2024/2025 –

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Narok Water and Sewerage Services Company (NARWASSCO) Limited for the period under review on the following basis-

1. Unsupported Trade and Other Receivables

The statement of financial position reflects trade and receivable balance of Kshs.110,478,767. as disclosed in Note 18 to the financial statement. Review of the ageing analysis for the receivables revealed that they have been outstanding for more than one hundred and twenty (120) days. However, no explanation was provided by the management on the mechanism the company has adopted towards recovery of the debts.

Further, Management did not make adequate provision for bad and doubtful debts having made a provision of Kshs 1,355,334 during the year. In addition, management did not recommend the writing off of the long outstanding debts during the year. The company finance policy provides that the board may write off outstanding debt aged more than a year in a bid to clear off the debtors from the books.

Note 18 to the financial statements reflect an amount of Kshs 19,218,302 in respect of bad debts to be written off during the financial year 2023/2024. the written off required to be sanctioned by the county executive committee member. However, the deliberations of county executive committee members, detailed schedule of debtors to be written off showing occurrence of the debt, due date, debtors names, meter numbers and outstanding amount but which were not provided for audit verification.

In the circumstances, the accuracy, existence and completeness of the trade and receivable balance of Kshs. 110,478,767 could not be confirmed.

Management Response

The trade and other receivables balance of Kshs. 110,478,767 as reported in the Statement of Financial Position includes several long outstanding accounts, particularly those aged beyond 120 days. These balances largely relate to historical billing periods

and legacy accounts, mainly within the Kilgoris service area, where operational and commercial challenges previously affected collections.

To enhance debt recovery, the Company has implemented strengthened collection measures, including customer sensitization, issuance of demand notices, structured repayment plans, and disconnection of persistent defaulters. These interventions have already led to improved recovery trends for previously inactive accounts.

The provision for bad and doubtful debts amounting to Kshs. 1,355,334 was determined based on management's assessment of recoverability using historical collection performance and individual debtor evaluations. The Company continues to review its provisioning methodology to ensure it reflects current credit risk exposure.

An amount of Kshs. 19,218,302 disclosed in Note 18 represents debts that were initially proposed for write-off, subject to approval by the County Executive Committee Member (CECM). Following deliberations on the Kilgoris scheme development and the improved service delivery environment, management reassessed these balances and concluded that the debts remain recoverable. As a result, the proposed write-off was deferred to allow for continued recovery efforts.

Future write-offs, where necessary, will be processed in accordance with the Company's Finance Policy and will be supported by the required approvals and comprehensive documentation for audit verification.

Committee Observations

The Committee observed that-

1. Trade and other receivables amounting to Kshs. 110,478,767 include significant balances outstanding for over 120 days with no clear recovery mechanism provided.
2. The provision for bad and doubtful debts of Kshs. 1,355,334 appears inadequate relative to the ageing profile, and long-outstanding debts were neither written off nor supported with required documentation and approvals.
3. The proposed write-offs of Kshs. 19,218,302 lacked audit evidence, including approval by the County Executive Committee Member and detailed debtor schedules.

Committee Recommendation

The Committee recommends that-

- i. **the Governor through the Accounting Officer should ensure that NARWASSCO 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 Governor ensures the Accounting Officer 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 Governor ensures that the Accounting Officer, 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 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 the Committee on the matter in the subsequent audit cycle; and
- v. 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.

2. Unsupported Cash and Cash Equivalents Balances

The statement of financial position reflects a bank and cash balance of Ksh.188,657 as disclosed in Note 19 to the financial statements. Review of records revealed that the Company operates five (5) current bank accounts and one (1) mobile money account utility. However, only two (2) bank accounts were supported with a cashbook at the time of the audit. The remaining three (3) accounts and the mobile money account utility were not supported with cash books and the respective bank reconciliation statements as at 30 June 2025.

In the circumstances, the accuracy and completeness of the bank and cash balance of Ksh.188,657 could not be confirmed.

Management Response

The management acknowledge that the audit observation The management provided all the bank reconciliation during audit However there was recommendation on presentation which has since been adopted and shared for review.

Further, management confirms that the Company maintains a comprehensive and up-to-date cashbook for each bank and Mpesa account, capturing all receipts, payments, and adjustments in accordance with the applicable financial regulations.

They have also strengthened internal procedures to ensure that monthly bank reconciliations are completed and approved by the 10th of the following month, as required. This measure will enhance accuracy, completeness, and reliability of our cash and bank records going forward.

Management remains committed to full compliance and transparent financial reporting.

Committee Observations

The Committee observed that cash and cash equivalents balance of Kshs. 188,657 was not fully supported, as only two (2) out of six (6) accounts had corresponding cashbooks and bank reconciliation statements at the time of audit.

Committee Recommendation

The Committee recommends that the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) 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.

3. Unsupported Refundable Deposits and Prepayments Balance

The statement of financial position reflects refundable deposits and repayments balance of Kshs.12,332,780 as disclosed in Note 25 to the financial statements. However, the deposits bank account reflects a balance of Kshs.3,787 resulting to irregular borrowings of Kshs.12,328,993. Further, the approval by the Board to borrow from the customer deposits account as required by clause 73 of the Articles of Association was not provided for audit verification.

In the circumstances, the accuracy and completeness of the refundable deposits and repayments balance of Kshs.12,332,780 could not be confirmed.

Management Response

Management wishes to clarify that the utilisation of customer deposit funds observed during the audit period is historical in nature and dates back to the inception of the Company in 2006. From the early years of operation, Narok Water and Sewerage Services Company Ltd faced significant financial constraints, including inadequate tariff levels, high operational costs, and delayed revenue flows. As a result, successive management teams relied on the customer deposits account as a bridging facility to meet urgent liquidity needs, to undertake essential capital works, and maintain service continuity.

Over the years, the Company utilised portions of these deposits to support critical interventions such as:

- i. Capital expenditure (CAPEX) for network extensions,
- ii. Meter replacements and DMA installations,
- iii. Emergency pump purchases, and
- iv. Urgent operational financing to maintain service delivery.

A notable example includes the period between 2015 and 2023, during which the Company operated without an approved tariff. This created severe underfunding and liquidity challenges across all operational units.

During this period, the Company also inherited long-outstanding statutory obligations, including PAYE arrears accumulated since 2014, which amounted to approximately Kshs. 13 million. Part of the repayments made in 2019 required temporary internal borrowing—including from the deposit account—to prevent accumulation of penalties and interest and to ensure regulatory compliance with KRA.

Management affirms that the refundable deposit balance of Kshs. 12,332,780 reflects actual customer obligations, and the variance between the balance and the bank account position represents historical internal utilisation, not irregular or unauthorized borrowing. Measures have already been implemented to ensure that all future borrowings related to deposits are properly documented, approved, and aligned with Clause 73 of the Articles of Association.

Committee Observations

The Committee observed that-

1. Refundable deposits and prepayments balance of Kshs. 12,332,780 was not supported by the corresponding deposits bank account balance of Kshs. 3,787, resulting in an unexplained variance of Kshs. 12,328,993, indicative of possible irregular utilization of customer deposits.
2. no evidence was provided to confirm Board approval for borrowing from the deposits account as required by Clause 73 of the Articles of Association.

Committee Recommendation

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 a 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.**

4. Unsupported Long Outstanding Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.72,658,715 as disclosed in Note 24 to the financial statements. Review of the aging analysis revealed that an amount of Kshs.44,557,527 or 61% of the total payable had been outstanding for more than one (1) year. Further, the supporting schedule provided does not indicate the invoice numbers in respect of outstanding amounts.

In the circumstances, the Company may face additional and avoidable costs of interest and penalties due to the continued delay in settlement of the long outstanding payables balance.

Management Response

Management acknowledges the audit observation regarding the aging of trade and other payables. However, we wish to clarify that the composition of the Kshs.44,557,527 classified as outstanding for more than one year does not represent delays in settlement of operational supplier invoices, but rather regulatory, statutory, and contractual obligations whose settlement patterns are aligned with the Company's billing and revenue cycles.

1. Nature of the Reported Payables

A significant portion of the aged balance relates to:

- Statutory and regulatory obligations such as PAYE, NHIF, NSSF, and other agency revenues which are payable in the month following the billing period.
- Staff-related costs, particularly June salaries and associated staff benefits, which fall due on the 10th of the subsequent month in line with the Company's billing and revenue collection cycle.

- Gratuity provisions for contractual staff, which are accumulated over the contract period and only become payable upon expiry of contracts. These amounts therefore appear as long-outstanding even though they are not yet due for settlement under the applicable human resource policies.

- Recurrent operational expenses such as electricity, chemicals, and consumables, which the Company continues to settle promptly and consistently despite revenue constraints.

2. Accuracy and Reliability of Payables

The balances presented in the financial statements are accurate and represent obligations recognized in accordance with IAS 1 – Presentation of Financial Statements and the accrual basis of accounting. The apparent aging arises from the nature and timing of the liabilities rather than non-payment or neglect.

3. Timely Settlement of Payables

Management emphasizes that the Company has been prudently managing and paying its suppliers and recurrent obligations on time, particularly:

- Monthly electricity bills
- Monthly statutory deductions
- Monthly staff-related costs
- Contractual payments falling due within the year

This demonstrates the Company’s commitment to maintaining good financial discipline despite the challenging economic environment, inflationary pressures, and revenue collection constraints experienced during the year.

4. Minimizing Risk and Ensuring Value for Money

The Company is fully aware of the need to avoid penalties, interest charges, and unnecessary financial exposure. Accordingly:

- Pending bills have been factored as first charge items in subsequent budgets, in compliance with Regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015.

- Continuous verification and reconciliation of payables and supporting documentation is being enhanced—including capturing invoice numbers and contract references—to improve traceability and strengthen internal controls.

- Cash flow management strategies have been strengthened to ensure prompt settlement of due obligations.

Conclusion

In view of the above, Management wishes to reaffirm that the Company is not accumulating avoidable long-outstanding supplier payables, and the aged balance is largely attributable to structured statutory and staff-related obligations whose settlement timelines extend beyond the one-year threshold by design.

Despite financial pressures, the Company remains committed to prudent financial management, timely settlement of liabilities, and compliance with all regulatory and accounting requirements.

Committee Observations

The Committee observed that-

1. Trade and other payables balance of Kshs. 72,658,715 includes Kshs. 44,557,527 (61%) outstanding for more than one (1) year.
2. The ageing analysis indicates prolonged outstanding balances, while the supporting schedule lacks key details such as invoice numbers for verification.

Committee Recommendation

The Committee recommends that-

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

Other Matters

1. Unresolved prior year Audit Matters

In the Audit Report of the previous year, several issues were raised under their report on the financial statements, Report on lawfulness and effective use of public resources

and report on the effectiveness of internal controls, Risk Management and governance. Review of the status during audit of the company in 2024/2025 revealed that six issues remained unresolved.

Management Response

Following the issues raised in the previous year's Audit Report under the Reports on the Financial Statements, Lawfulness and Effective Use of Public Resources, and the Effectiveness of Internal Controls, Risk Management and Governance, management has continued to implement corrective actions to address the outstanding matters.

While six issues remained unresolved during the 2024/2025 audit, significant efforts are ongoing to ensure their resolution. Some of the matters are sector-wide challenges that require broader policy direction and inter-agency coordination beyond the Company's direct control. Nevertheless, management remains fully committed to strengthening compliance, governance structures, financial management systems, and operational efficiency.

Appropriate action plans have been developed, responsible officers assigned, and timelines established to ensure that the outstanding issues are progressively resolved in line with regulatory requirements and best practice.

Committee Observations

The Committee observed that the query remained unresolved as the water company did not resolve some of the issues raised in the previous financial year.

Committee Recommendation

The Committee recommends that-

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**
- ii. the Governor ensures the accounting officer submits a detailed status report on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Failure to Prepare and Submit Quarterly Financial Reports

During the year under review Management did not prepare and submit quarterly financial reports as provided for in law. This was contrary to Section 166 (1) of the Public Finance Management Act, 2012 which states that an Accounting Officer for a County Government entity shall prepare a report for each quarter of the financial year in respect of the entity. Further, Sub-section 3 states that not later than fifteen days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the County Treasury.

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

Management Response

Management wishes to clarify that Narok Water and Sewerage Services Company Ltd, as a Water Service Provider (WSP), operates under a distinct regulatory and reporting framework that differs from typical County Government entities referenced under Section 166 of the Public Finance Management Act, 2012.

While Section 166 outlines quarterly reporting obligations for County entities funded directly through the Exchequer, Narok Water does not receive exchequer funding and is therefore not classified as a County Government entity for purposes of PFM quarterly reporting. As a WSP, the Company generates and utilises its own-source revenue and is regulated primarily under:

- The Water Act, 2016
- The WASREB Regulatory Framework
- Licence obligations under the Water Services Regulatory Board (WASREB)

Under this framework:

- Monthly Monitoring & Evaluation (M&E) Reports are prepared and submitted consistently to WASREB, as required under the WSP licence conditions.
- Quarterly Management and Performance Reports are prepared and submitted to the Board of Directors, which is the Company's governing organ as provided under the Water Act, 2016.
- The Company fully complies with all reporting obligations required by WASREB, including the Monthly M&E Tool, Non-Revenue Water reporting, and tariff adherence reports.

It is therefore important to note that WSPs are not obligated to submit quarterly financial reports to the National Treasury, as this process applies strictly to County Government departments, agencies, and entities receiving exchequer transfers.

Accordingly, Management confirms that quarterly reporting is undertaken as per the regulatory requirements applicable to Water Service Providers, and there was no non-compliance. The Company continues to adhere fully to all statutory and regulatory obligations under the Water Act, 2016 and the oversight of WASREB and the Board of Directors.

Committee Observations

The Committee observed that Management did not prepare and submit quarterly financial reports to the County Treasury as required under Section 166(1) and (3) of the Public Finance Management Act, 2012, which mandates quarterly reporting within fifteen (15) days after the end of each quarter.

Committee Recommendation

The Committee recommends that-

- i. the Accounting Officer should strengthen internal audit controls and ensure 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;**
- ii. the Accounting Officer should 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**
- iii. the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

2. Significant Loss of Revenue- Non-Revenue Water (NRW)

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.146,112,802 which as disclosed in Note 5 to the financial statements includes water sales amounting to Kshs.112,271,210. Review of records revealed that the Company produced a total of 1,292,226 cubic meters (m3) of water

out of which 863,625 cubic meters (m3) of water was billed to customers for Kshs.112,271,210 while the balance of 428,601 cubic meters (m3) or approximately 33% of the total volume of water produced represents Non-Revenue Water. The Non-Revenue Water of 33% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) Guidelines by 8%.

Further, the Non-Revenue Water amounting to 428,601 cubic meters (M3) resulted in loss of sales amounting to Kshs.55,718,130 at the rate of Kshs.130 cubic meters (m3) minimum water sale tariff. In addition, the Company has not established a Non-Revenue Water function contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022. The significant level of non-revenue water is an indication of ineffectiveness in the use of public resources, which may negatively impact on the Company's profitability and its ability to sustain its services to the public.

In the circumstances, Management was in breach of the Guidelines

Management Response

Management acknowledges the observation regarding the Non-Revenue Water (NRW) levels for the year under review. The Company recorded an annual average NRW of 32%, which, although still above the sector benchmark, reflects a 1% improvement from the previous year's level of 33%.

This reduction demonstrates the Company's ongoing efforts and commitment to improving operational efficiency, reducing system losses, and enhancing revenue collection. Key initiatives undertaken during the year include:

- Strengthening meter management and meter accuracy verification
- Intensifying leak detection and timely repair of burst pipes
- Enhancing billing and meter reading accuracy
- Reducing illegal connections through enforcement and community engagement
- System mapping and progressive replacement of aged infrastructure

Management remains focused on progressively reducing NRW levels toward the sector benchmark through continuous investment in infrastructure improvements, technology adoption, and strengthened operational controls.

We are committed to building on the progress achieved and further enhancing water production efficiency and revenue performance.

Committee Observations

The Committee observed that the water company had a NRW level of 33% which exceeded the sector benchmark of 25% as prescribed by WASREB.

Committee Recommendation

The Committee recommends that-

- i. the Accounting Officer should put in place comprehensive measures to mitigate on the Non-Revenue Water, that is, both physical and commercial losses. The Auditor-General to review the implementation of the measures put in place to mitigate the Non-Revenue Water and provide a status update on the matter 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 Governor of Murang'a County 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.**

3. Non-Compliance with Climate Change Regulations

Available information revealed that the Company has not developed or implemented a formal climate change adaptation and mitigation plan. In addition, no environmental audits were conducted for the period ending 30 June 2025. This was contrary to Section 13 of the Climate Change Act, 2016 and Section 116 the Water Act, 2016 which requires institutions to integrate climate change responses and environmental sustainability into their operations and planning.

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

Management Response

We note that these gaps arose mainly due to limited internal capacity and the absence of a designated environmental or climate change officer during the year under review. Management commits to addressing this by developing and implementing a climate change and environmental sustainability plan, fully aligned with the Climate Change Act, NEMA guidelines, and sector regulations.

Additionally, Management will ensure that a dedicated budget provision is included in the upcoming financial year to support environmental audits, compliance activities, and climate action initiatives. These measures will strengthen environmental stewardship, enhance regulatory compliance, and safeguard public trust.

Committee Observations

The Committee observed that the Company had not developed or implemented a climate change adaptation and mitigation plan, nor conducted environmental audits during the year ended 30 June 2025. This is contrary to Section 13 of the Climate Change Act, 2016 and Section 116 of the Water Act, 2016, which require integration of climate change responses and environmental sustainability into institutional planning and operations.

Committee Recommendation

The Committee recommends that-

- i. Within 90 days of the adoption of this report, the Governor should develop and implement a comprehensive climate change strategy, including adaptation and mitigation measures aligned with legal and sector requirements;**
- ii. The Water Company should conduct regular environmental audits in compliance with regulatory frameworks and standards; and**
- iii. The Governor to allocate adequate budgetary provisions for climate action initiatives, environmental audits, and compliance activities.**

4. Non-Compliance with the Law on Staff Ethnic Composition

Review of the payroll and human resources records revealed that the Company had ninety-three (93) employees out of which seventy-five (75) or 81% were from one ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which stipulated that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Management Response

Management acknowledges the audit observation regarding the ethnic composition of staff in relation to the requirements of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires public institutions to reflect the diversity of the people of Kenya and to ensure that no single ethnic group constitutes more than one-third of the workforce.

We wish to clarify that the Company operates within Narok County, a region predominantly inhabited by the Maasai community, which naturally influences the demographic composition of applicants and employees. This has contributed to a higher representation of the Maasai ethnic group within our staff establishment.

However, management affirms that despite the demographic realities, the Company has made deliberate efforts to maintain overall ethnic balance and continues to recruit staff from diverse communities across Kenya whenever qualified candidates are available. Recruitment processes remain competitive, open, and merit-based, ensuring fairness and compliance with national cohesion requirements.

Management is committed to strengthening diversity and inclusion measures in future recruitment cycles to enhance representation across all ethnic groups.

Committee Observations

The Committee observed that 81% of the employees were from one dominant ethnic community thus the water company was in breach of law.

Committee Recommendation

The Committee recommends that-

- i. the Board and the accounting officer make deliberate efforts to progressively comply with section 65 of the County Governments Act, 2012 which provides that at least thirty percent 30% of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community; and**
- ii. the Board and the accounting officer to make deliberate efforts progressively in the endeavor to comply with Section 7 (1) and (2) of the National Cohesion and Integrity Act, 2008, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff.**

5. Failure to Reserve a Third of Procurement Contracts to Special Groups

Review of the Company's operations and procurements carried out in the financial year ending 30 June, 2025, revealed that Management had not allocated any procurement opportunities to special interest's groups as provided for by Government policy. This was contrary to Executive Order No. 2 of 2018 which provides that at least thirty per cent (30%) of the public procurement be reserved for businesses being owned by women, youth and persons with disabilities.

In the circumstances, Management was in breach of Government policy.

Management Response

We wish to clarify that during the year under review, the Company did award youth-owned enterprises certain procurement contracts, including the supply of staff uniforms and related items. Although these awards covered only two items in the financial year, Management recognizes that the level of participation by special interest groups fell below the required threshold.

To address this, Management has since reserved specific tenders for youth and women-owned businesses in the current procurement cycle and included these provisions in the annual procurement plan to ensure full compliance with the Executive Order.

Management remains committed to strengthening inclusivity, promoting economic empowerment among special interest groups, and ensuring adherence to all national procurement policies and presidential directives going forward.

Committee Observations

The Committee observed that the Company did not allocate at least 30% of procurement opportunities to special interest groups that is; youth, women, and persons with disabilities; during the year under review, as required by Executive Order No. 2 of 2018.

Committee Recommendation

The Committee recommends that-

- i. The Board of directors ensure strict adherence to the 30% reservation requirement by allocating procurement opportunities to eligible special groups and enhance outreach and sensitization to encourage participation of youth, women, and persons with disabilities.**
- ii. The Governor to Integrate AGPO (Access to Government Procurement Opportunities) provisions into procurement planning and execution.**

6. Lack of Valuation of Fully Depreciated Assets

The statement of financial position reflects a balance of Kshs.109,128,263 in respect of property, plant and equipment as disclosed in Note 15 to the financial statement. However, review of the financial statements revealed that several categories of assets with a total recomputed historical cost of Kshs.96,542,113 were fully depreciated as at 30 June, 2025. Further, it was observed that the assets are still in use and as such the Company continues to derive economic benefits from them and incurring costs such as fuel, repairs and maintenance. Management has not given a satisfactory reason as to why these assets have not been revalued to reflect their fair values in the financial statements.

In the circumstances, management may not obtain economic benefit from the fully depreciated assets.

Management Response

Management Act, 2012 and the requirements of IAS 16 on asset valuation and review of useful lives.

We note that several asset categories with a historical cost of Kshs.96,542,113 are still in use, and therefore require a structured revaluation and condition assessment process to ensure that their carrying values reflect their fair value and current operational status.

Management has initiated internal consultations and will prepare and present a comprehensive asset revaluation and condition assessment report to the Board for consideration and approval. This will guide the appropriate revaluation of assets still in use and identification of those that require disposal.

The outcome of this Board-approved process will be incorporated in future financial reporting cycles to ensure that the assets are accurately valued, useful lives updated, and the financial statements present a true and fair view of the Company's assets.

Management remains committed to strengthening asset management controls and complying with all relevant accounting and regulatory requirements.

Committee Observations

The Committee observed that the water company has assets that continue to generate economic benefits and incur costs but no revaluation has been conducted to reflect their fair value, contrary to IAS 16 – Property, Plant and Equipment.

Committee Recommendation

The Committee recommends that-

- i. the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**
- ii. the Governor ensures that the management of the water company undertakes the valuation of all assets of the water company and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iii. upon completion of the 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 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.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

1. Lack of an Approved Strategic Plan

Review of the Water Company's reports and policy documents revealed that the Company managed its operations in the financial year 2024/2025 without an approved strategic plan. Although a draft plan had been prepared, it had not yet been reviewed or approved by the Board of Directors or the relevant oversight authority as required by law. In addition, the respective performance contracting guidelines for the Company stipulate that annual targets and budgets must be derived from an approved strategic plan

In the circumstances, the Company's departmental work plans and budgets were not anchored on a formally approved long-term strategy and the achievement of its overall strategic goals could not be confirmed.

Management Response

Management acknowledges the audit observation regarding the absence of an approved strategic plan for the financial year 2024–2025. While a draft strategic plan had already been prepared, it had not progressed to the review and approval stages by the Board and the relevant oversight authorities as required under Section 149(2)(g) of the Public Finance Management Act, 2012, the Mwongozo Code of Governance for State Corporations (2015), and the Performance Contracting Guidelines.

We confirm that the draft strategic plan is at an advanced stage and Management is currently finalizing the necessary inputs and compliance alignments. Once completed, the document will be presented to the Board for review, refinement, and formal approval, followed by submission to the relevant regulatory bodies for endorsement.

Going forward, Management is committed to ensuring that annual budgets, departmental work plans, and performance targets are fully anchored on the Board-approved strategic plan to strengthen strategic direction, enhance resource allocation, and improve performance monitoring and accountability.

Committee Observations

The Committee observed that the water company has a draft strategic plan already prepared and has progressed to the review and approval stages by the Board.

Committee Recommendation

The Committee recommends that The Committee recommends that the Governor through the County Executive Committee Member (CECM) - Finance ensure that the water company puts in place all internal control systems, such as a Strategic Plan, as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015, among others, to guide the internal operations of the water company. Further, the board to fast track the approval and adoption of the draft risk management policy and submit evidence of the same to the Auditor-General for verification.

2. Ineffective Internal Audit Function

Review of the Company's internal audit function revealed that the internal audit function was largely understaffed and not adequately facilitated as there was no clear budget line for staffing and training. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which requires a County Government entity to have appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of the internal audit function is doubtful given the lean staff capacity to accomplish its responsibilities.

Management Response

Management acknowledges the audit observation regarding the resourcing of the internal audit function. We wish to clarify that the Company currently has two (2) internal audit staff who have acquired the necessary skills and competencies to effectively discharge the internal audit mandate in line with Section 155(1)(a) of the Public Finance Management Act, 2012 and the relevant guidelines issued by the Public Sector Accounting Standards Board.

During the year under review, the internal audit department carried out its planned assignments and prepared reports which are attached for audit verification, demonstrating that the function was operational and effective despite capacity constraints noted.

Management further confirms that steps are being taken to strengthen the department through:

- Improved facilitation and clearer budget provision for audit activities;
- Capacity-building and training for internal auditors; and
- Ongoing enhancement of internal audit work planning and reporting.

These measures will ensure that the internal audit function remains adequately resourced, compliant with statutory requirements, and able to provide independent assurance on governance, risk. Attach the list board members, audit workplans

Committee Observations

The Committee observed that the Company's internal audit function was largely understaffed and inadequately facilitated, with no clear budget line for staffing and training. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012, which requires County Government entities to maintain appropriate arrangements for conducting internal audit.

Committee Recommendation

The Committee recommends that-

- i. The Governor to enhance resourcing of the internal audit function by establishing a dedicated budget for staffing, training, and operational activities.**
- ii. The Governor to recruit additional qualified personnel and undertake capacity-building and training for internal audit staff to maintain skills and compliance with statutory and professional standards.**

CHAPTER TWO: MUNICIPALITIES

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

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of Municipality of Kilgoris for the financial year 2024/2025 –

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Disclaimer opinion** on the Financial Statements of the Municipality of Kilgoris for the period under review on the following basis-

1. Failure to Comply with the Recommended Reporting Template

Review of the Municipality's financial statements revealed the following errors and inaccuracies;

- i. The Municipality has used the County Government of Narok logo instead of the Municipality of Kilgoris logo as required.
- ii. The page on Acronyms and Glossary of key terms is missing various acronyms such as ICPAK, PFM, and IPSAS among others.
- iii. The financial statements did not include key reports such as the report by the Board Chairman, report of the Municipality Manager, Statement of Performance Against Predetermined Objectives for the financial year 2024/2025, Corporate Governance Statement, Environmental and Sustainability Reporting, Report of the Municipality Board Members and the blank page on the Report of the Auditor-General.
- iv. The Municipality Board and key management sections did not include photos and some required details of the Board members and the key management team.
- v. The financial statements do not have the required headers.
- vi. The report on the management discussion and analysis did not have all the information requires as per the prescribed reporting template.

Management has not provided any explanation for the anomalies observed.

In the circumstances, Management did not comply with the recommended reporting template as prescribed by the Public Sector Accounting Standards Board.

Management Response

- i) The Kilgoris municipality uses the County Government of Narok logo for the Board has not yet finalized the Kilgoris logo development process. However, the management is in the process a Municipal logo.
- ii) The missing acronyms have now been incorporated in the amended financial statement-appendices 1
- iii) The missing reports have now been incorporated in the amended annual report.
- iv) The missing photos, details of key board members and key management team have been incorporated in the amended annual report and financial statement.
- v) The required headers have been captured in the amended Annual reports and financial statements.
- vi) Management agree that the reports is not in compliance with the reporting template but in the future the management will ensure to comply.

Committee Observations

The Committee observed that the Municipality's financial statements for the year 2024/2025 did not comply with the prescribed reporting template by the Public Sector Accounting Standards Board.

Committee Recommendation

The Committee recommends that-

- i). **the Accounting Officer should comply with section 149(2) of the Public Finance Management Act, Cap. 412A regarding preparation and management of financial and accounting records, failure to which provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply;**
- ii). **the Accounting Officer should strengthen internal audit controls and ensure proper record keeping;**
- iii). **the Accounting Officer should enhance the capacity of officers preparing financial statements to comply with the accounting standards and should further invest in technology and processes that reduce inaccuracies in the preparation of financial statements; and**
- iv). **the Accounting Officer to take administrative action on the officers within the Accounts and Finance department who fails to keep complete financial records in accordance with their terms and conditions of appointment or employment and as required by the Accountants Act, Cap. 534.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Non-Compliance the Law on Board Composition

The Municipality Board section of the financial statements indicates that the Municipality has seven (7) Board Members against the required nine (9) members. Further the gazette notice on the appointment of the Board Members, the member's appointment letters and acceptance letters were not provided for audit verification.

In the circumstances, Management and the appointing authority were in breach of the law.

Management Response

The Municipality has a total of nine board members as per section 13(1) of urban areas and cities act 2011, however the section of the financial statement shows seven gazette members while the other two who are not gazette are statutory members of the board, these are the chief officer in charge of urban development and Physical Planning and County Executive Committee Member for Lands, Housing, Physical Planning and Urban Development.

Committee Observations

The Committee observed that-

1. the Municipality Board had seven (7) members, while the law under Section 13(1) of the Urban Areas and Cities Act, 2011 requires nine (9) members.
2. Management submitted that the two non-gazetted board members are statutory members of the board, making the composition to be of nine members.
3. gazette notices, appointment letters, and acceptance letters for board members were not provided for audit verification.

Committee Recommendation

The Committee recommends that-

- i. **the Governor to ensures compliance to section 13(1) of the Urban Areas and Cities Act, 2011 which requires that the Board should consist of nine (9) members. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.**
- ii. **the governor should ensure that the Accounting Officer ensures timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section**

149(2)(k) 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.

2. Failure to Conduct Board Meetings

Review of the annual report and financial statements revealed no evidence that the Board conducted meetings and transacted business of the Municipality as required by the Section 23 (1) and (2) of Urban Areas and Cities Act, 2011.

In the circumstances, the Municipality did not benefit from the oversight and administration functions of the Board as envisaged in the law.

Management Response

The board was able to conduct a board meeting in the third quarter of FY 2024/2025 on the month of February; however, the board was not able to conduct meetings for the other quarters due to financial constraints

The minutes for the Meeting held by the Municipality of Narok in the Month of February 2025 has been attached.

Committee Observations

The Committee observed that-

1. no evidence of regular Board meetings for the financial year 2024/2025, contrary to Section 23(1) and (2) of the Urban Areas and Cities Act, 2011, which requires the Board to meet and transact the business of the Municipality.
2. Management attributed this to budgetary constraints preventing the conduct of the required meetings

Committee Recommendation

The Committee recommends that the Governor through the County Treasury ensures that the Board is adequately funded to carry out its mandate under section 23(1) and (2) of the Urban Areas and Cities Act, 2011, which requires the Board to meet and transact the business of the Municipality.

3. Failure by the County Government to Allocate Funds to the Municipality

Review of the financial statements and available information revealed that the Municipality of Kilgoris did not receive any funding from the Narok County Executive in the year under review. This happened despite the County Government having allocated funds for the Municipality in its budget for the financial year 2024-2025.

In the circumstances, the planned activities of the Municipality may not be implemented and its operations remain dysfunctional.

Management Response

The municipality didn't receive the funds as a stand-alone entity but it utilised the budget funds through the parent and other county departments i.e. Lands Housing Physical planning and urban development and roads. The operations include solid waste Management, training of enforcement officers, purchase of enforcement officers' uniforms.

Committee Observations

The Committee observed that the Municipality of Kilgoris did not receive direct funding from the Narok County Executive during the year under review, despite budget allocations for the financial year 2024/2025.

Committee Recommendation

The Committee recommends that-

- i. 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**
- ii. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

4. Lack of an Annual Work Plan for the Municipality

Review of the annual report and financial statements revealed that the statement of budget and actual comparison did not indicate the budget estimates for the year under review. In addition, Management did not provide any evidence to confirm the existence of the annual income and expenditure estimates.

This contrary to Section 45 of the Urban Areas and Cities Act, 2011 which requires that three months before the commencement of each financial year, a board or town committee shall cause to be prepared estimates of the revenue and expenditure of a board or town committee for that year. The annual estimates shall make provision for all the estimated revenue and expenditure of the board for the financial year to which it relates. The annual estimates shall be tabled before the board or town committee for adoption and approval. The annual estimates approved by the board or town committee under subsection (3) shall be submitted to the county governor for submission to the county assembly for its approval.

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

Management Response

The Municipality of Kilgoris could not prepare annual income and expenditure estimates as pointed out by the auditors since majority of the functions are still performed by the parent department, however the management of solid waste is supervised by Municipality while payment is being done centrally by the executive. Equally the supervision and management of Bus Park is being carried out by the Municipality but the collection of revenue is still under the county treasury. Consequently, the management of day-to-day operations of the Municipality enforcement officers is being supervised by the Municipality office, while the allowances and other financial requirements is drowned under the parent department. The Municipality management is therefor currently involved in overseeing the administrative and operational functions to ensure the effective service delivery and governance while transitioning to take over key responsibilities which includes managing budgets, implementing board policies and decisions and maintaining infrastructure within the Municipality.

Committee Observations

The Committee observed that the Municipality of Kilgoris did not prepare an annual work plan or income and expenditure estimates for the financial year 2024/2025 contrary to Section 45 of the Urban Areas and Cities Act, 2011, which requires the Board or Town Committee to prepare, approve, and submit annual revenue and expenditure estimates before the start of each financial year.

Committee Recommendation

The Committee recommends that-

- i. 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**
- ii. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

5. Failure by the Municipality to Operationalize its Bank Account

Review of available records and documentation provided revealed that the Municipality operated a commercial bank account at NCBA, account number 9457770017. However, Management did not provide evidence on the existence of a balance in the bank through the provision of bank statements, bank reconciliation statements, certificate of bank balance and a board of survey report. In addition, no cash book was provided as proof that there was a properly maintained cash management function as required by law. This is contrary to Section 46 (1) of the Urban Areas and Cities Act, 2011 provides that the

board or town committee shall cause to be kept all proper books and records of account of its income, expenditure, assets and liabilities.

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

Management Response

The Municipality currently operates a commercial bank-development grant account at NCBA Bank account number 945770038. The Municipality didn't receive funds in the period under review because most of the functions that the Municipality operates are more administrative in nature, but going forward the funds will be transferred as it continues to offer services.

Committee Observations

The Committee observed that-

1. The Municipality of Kilgoris did not operationalize its commercial bank account at NCBA (Account No. 9457770017) during the year under review as, most of its operations are administrative in nature.
2. No bank statements, bank reconciliation statements, certificates of bank balance, cash books, or Board of Survey reports were provided to demonstrate proper cash management contrary to Section 46(1) of the Urban Areas and Cities Act, 2011.

Committee Recommendation

The Committee recommends that-

- i. **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**
- ii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

6. Lack of Statutory Municipal Plans

Review of documents and records provided by the Management of Kilgoris Municipality revealed non-existence or non-consideration of key vital plans as envisaged in Section 111 (1) of the County Governments Act, 2012. The plans include the Municipal land use plans, building and zoning plans and the location of recreational areas and public facilities.

Failure to put in place the statutory plans undermine the functionality of the Municipality as envisaged in the law and impacts negatively on service delivery to the public.

Management Response

Attached is the Municipal land use plans, building and zoning plans and the location of recreational areas and public facilities.

Committee Observations

The Committee observed that the records revealed that the Municipality of Kilgoris did not have statutory municipal plans in place, including land use plans, building and zoning plans, and locations of recreational areas and public facilities, as required under Section 111(1) of the County Governments Act, 2012.

Committee Recommendation

The Committee recommends that-

- i. 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**
- ii. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

1. Failure to Offer Key Services

Review of the Kilgoris Municipality Management operations revealed that there was no evidence to indicate the provision and existence of services as guided by the Urban Areas and Cities (Amendment) Act, 2019. The services include planning and development control, traffic control and parking, street lighting, cemeteries and crematoria, libraries, storm drainage, control of drugs, sports and cultural activities, abattoirs, refuse collection, solid waste management, pollution (air, water, soil) control, child care facilities, community centers, constituent University campuses, polytechnic, stadium, airstrip, theatre, library/ICT services, local economic development plan, Museum/cultural centers, emergency preparedness, funeral parlour, recreational parks and animal control and welfare.

Available information revealed that a majority of the services are offered by the County Government and the National Government contrary to the Urban Areas and Cities Act, 2011.

In the circumstances, the effectiveness of service delivery to the public as envisaged in the law could not be confirmed.

Management Response

The Municipality is offering administrative and supervision services which includes; Development control, traffic control and parking, animal control, storm drainage cleaning, refuse collection, street lighting and recreational parks. The Municipality is therefore currently involved in overseeing the administrative and operational functions to ensure effective service delivery and governance while transitioning to take over other key responsibilities which are currently being implemented by both parent and other departments as shown in the attached gazette notice

Committee Observations

The Committee observed that most services are still being provided by the County and National Governments, rather than the Municipality contrary to the Urban Areas and Cities Act, 2011.

Committee Recommendation

The Committee recommends that-

- i. 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**
- ii. the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

2.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF NAROK FOR THE FINANCIAL YEAR 2024/2025

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of Municipality of Narok for the financial year 2024/2025 –

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified opinion** on the Financial Statements of the Municipality of Narok for the period under review on the following basis-

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Non-Compliance with the Law on Board Composition

The Municipality Board section of the financial statements indicates that the Municipality has seven (7) Board Members against the required nine (9) members. Further the gazette notice on the appointment of the Board Members, the Member's appointment letters and acceptance letters were not provided for audit verification. This is contrary to Section 14 of Urban Areas and Cities Act, 2011 which provides that the provisions of section 13 shall apply with respect to the board of a Municipality except that such board shall comprise nine members of whom four shall be appointed and five elected in the prescribed manner.

In the circumstances, Management and the appointing authority were in breach of the law.

Management Response

The municipality has a total of nine board members as per section 13(1) of urban areas and cities act 2011, however the section of the financial statement shows seven gazetted members while the other two who are not gazetted are statutory members of the board, these are the Chief Officer in charge of Urban Development and Physical Planning and County executive committee member for Lands, Housing, Physical Planning and Urban Development.

Committee Observations

The Committee observed that-

1. the Municipality Board had seven (7) members, while the law under Section 13(1) of the Urban Areas and Cities Act, 2011 requires nine (9) members.
2. Management submitted that the two non-gazetted board members are statutory members of the board, making the composition to be of nine members.
3. gazette notices, appointment letters, and acceptance letters for board members were not provided for audit verification.

Committee Recommendation

The Committee recommends that-

- i. **the Governor to ensures compliance to section 13(1) of the Urban Areas and Cities Act, 2011 which requires that the Board should consist of nine (9) members. The Auditor-General to keep the matter in view and report in the subsequent audit cycle; and**
- ii. **the governor should ensure that the Accounting Officer ensures timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) 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.**

2. Failure to Conduct Board Meetings

Review of the annual report and financial statements revealed no evidence that the Board conducted meetings and transacted business of the Municipality as required by the Section 23 (1) and (2) of Urban Areas and Cities Act, 2011.

In the circumstances, the Municipality did not benefit from the oversight and administration functions of the Board as envisaged in the law.

Management Response

The board was able to conduct a board meeting in the third quarter of FY 2024/2025 on the month of February; however, the board was not able to conduct meetings for the other quarters due to financial constraints.

The minutes for the Meeting held by the Municipality of Narok in the Month of February 2025 has been attached.

Committee Observations

The Committee observed that-

1. no evidence of regular Board meetings for the financial year 2024/2025, contrary to Section 23(1) and (2) of the Urban Areas and Cities Act, 2011, which requires the Board to meet and transact the business of the Municipality.

2. Management attributed this to budgetary constraints preventing the conduct of the required meetings

Committee Recommendation

The Committee recommends that the Governor through the County Treasury ensures that the Board is adequately funded to carry out its mandate under section 23(1) and (2) of the Urban Areas and Cities Act, 2011, which requires the Board to meet and transact the business of the Municipality.

3. Failure by the County Government to Allocate Funds to the Municipality

Review of the financial statements and available information revealed that the Municipality of Narok did not receive any funding from the Narok County Executive in the year under review. This happened despite the County Government having allocated funds for the Municipality in its budget for the financial year 2024-2025.

In the circumstances, the planned activities of the Municipality may not be implemented and its operations remain dysfunctional.

Management Response

The Municipality didn't receive the funds as a standalone entity but it utilized the budget funds through the parent and other county departments i.e. Lands housing physical planning and urban development and roads. The operations include solid waste management, training of enforcement officers, purchase of enforcement officers' uniforms, construction of roads- total-university road, -ACK church- prison road, -Normong'I- polytechnic road and management of public toilets around the Municipality.

Committee Observations

The Committee observed that the Municipality of Narok did not receive direct funding from the Narok County Executive during the year under review, despite budget allocations for the financial year 2024/2025.

Committee Recommendation

The Committee recommends that-

- i. **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**
- ii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

4. Lack of an Annual Work Plan for the Municipality

Review of the annual report and financial statements revealed that the statement of budget and actual comparison did not indicate the budget estimates for the year under review. In addition, Management did not provide any evidence to confirm the existence of the annual income and expenditure estimates.

This contrary to Section 45 of the Urban Areas and Cities Act, 2011 which requires that three months before the commencement of each financial year, a board or town committee shall cause to be prepared estimates of the revenue and expenditure of a board or town committee for that year. The annual estimates shall make provision for all the estimated revenue and expenditure of the board for the financial year to which it relates. The annual estimates shall be tabled before the board or town committee for adoption and approval. The annual estimates approved by the board or town committee under subsection (3) shall be submitted to the county governor for submission to the county assembly for its approval.

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

Management Response

The Municipality of Narok could not prepare annual income and expenditure estimates as pointed out by the auditors since majority of the functions are still performed by the parent department, however the management of solid waste is supervised by Municipality while payment is being done centrally by the executive. Equally the supervision and management of Bus Park is being carried out by the Municipality but the collection of revenue is still under the County Treasury. Consequently, the management of day-to-day operations of the Municipality Enforcement officers is being supervised by the Municipality office, while the allowances and other financial requirements is drowned under the parent department. The Municipality Management is therefore currently involved in overseeing the administrative and operational functions to ensure the effective service delivery and governance while transitioning to take over key responsibilities which includes managing budgets, implementing Board Policies and decisions and maintaining infrastructure within the Municipality.

Committee Observations

The Committee observed that the Municipality of Narok did not prepare an annual work plan or income and expenditure estimates for the financial year 2024/2025 contrary to Section 45 of the Urban Areas and Cities Act, 2011, which requires the Board or Town Committee to prepare, approve, and submit annual revenue and expenditure estimates before the start of each financial year.

Committee Recommendation

The Committee recommends that-

- i. **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**
- ii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

5. Failure to Operate a Municipality Bank Account

Management did not provide evidence of existence of a balance in the bank through the provision of bank statements, bank reconciliation statements, certificate of bank balance and a board of survey report. In addition, the Municipality's cash book was not provided for audit as evidence that there was a properly maintained cash management function as required by law and regulations. This is contrary to Section 46 (1) of the Urban Areas and Cities Act, 2011 provides that the board or town committee shall cause to be kept all proper books and records of account of its income, expenditure, assets and liabilities.

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

Management Response

The Municipality currently operates a commercial bank account at NCBA Bank account number 945770022 –Narok Municipality Development Grant Account. The municipality didn't receive funds in period under review because most of the functions that the municipality operates are more administrative in nature, but going forward the funds will be transferred as it continues to offer services.

Committee Observations

1. The Municipality of Narok did not operationalize its commercial bank account at NCBA (Account No. 945770022) during the year under review as, most of its operations are administrative in nature.
2. No bank statements, bank reconciliation statements, certificates of bank balance, cash books, or Board of Survey reports were provided to demonstrate proper cash management contrary to Section 46(1) of the Urban Areas and Cities Act, 2011.

Committee Recommendation

The Committee recommends that-

- i. **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**

- ii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

6. Lack of Statutory Municipal Plans

Review of documents and records provided by the Management of Narok Municipality revealed non-existence or non-consideration of key vital plans as envisaged in Section 111 (1) of the County Governments Act, 2012. The plans include the Municipal land use plans, building and zoning plans and the location of recreational areas and public facilities.

Failure to put in place the statutory plans undermine the functionality of the Municipality as envisaged in the law and impacts negatively on service delivery to the public.

Management Response

Attached are the Municipal land use plans, building and zoning plans and the location of recreational areas and public facilities

Committee Observations

The Committee observed that the records revealed that the Municipality of Narok did not have statutory municipal plans in place, including land use plans, building and zoning plans, and locations of recreational areas and public facilities, as required under Section 111(1) of the County Governments Act, 2012.

Committee Recommendation

The Committee recommends that-

- i. **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**
- ii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

1. Failure to Provide Key Services

Review of the Narok Municipality Management operations revealed that there was no evidence to indicate the provision and existence of services as guided by the Urban Areas and Cities (Amendment) Act, 2019. The services include planning and development control, traffic control and parking, street lighting, cemeteries and crematoria, libraries, storm drainage, control of drugs, sports and cultural activities, abattoirs, refuse collection, solid waste management, pollution (air, water, soil) control, child care facilities, community centers, constituent University campuses, polytechnic, stadium, airstrip, theatre, library/ICT services, local economic development plan, Museum/cultural centers, emergency preparedness, funeral parlour, recreational parks and animal control and welfare.

Available information revealed that the majority of the services are offered by the County Government and the National Government contrary to the Urban Areas and Cities Act, 2011.

In the circumstances, the effectiveness of service delivery to the public as envisaged in the law could not be confirmed.

Management Response

The Municipality is offering administrative and supervision services which includes;

Development control, traffic control and parking, animal control, storm drainage cleaning, refuse collection, street lighting and recreational parks. The municipality is therefore currently involved in overseeing the administrative and operational functions to ensure effective service delivery and governance while transitioning to take over other key responsibilities which are currently being implemented by both parent and other departments.

Committee Observations

The Committee observed that most services are still being provided by the County and National Governments, rather than the Municipality contrary to the Urban Areas and Cities Act, 2011.

Committee Recommendation

The Committee recommends that-

- i. 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**

- ii. **the municipality is adequately funded in accordance with section 172 of Public Finance Management Act, 2012 and the Auditor-General to keep this matter in view and report in the subsequent audit cycle.**

CHAPTER THREE: HOSPITAL

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

The Committee received written management responses to the following queries raised in the report of the Auditor-General on financial statements of Narok 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 Narok County Referral Hospital for the period under review on the following basis-

1. Variance between the Financial Statements and Notes

Comparison between the statement of financial position and the notes to the financial statements reflects the following errors and inconsistencies;

Items	Notes	Financial statements amount(kshs)	Note Amount (kshs)	Variance (Kshs)
Inventories comparative balance	31	33,496,630	29,045,880	4,450,750
Property, plant and equipment comparative balances	32	1,608,145	1,838,099	(229,954)
Intangible asset comparative balance	33	9,740,000	7,792,000	1,948,000
Intangible asset current balances	33	6,618,000	5,844,000	974,000
Trade and other payables comparative balance	36	6,418,208	7,227,794	(809,586)

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

Management Response

Items	Notes	Financial statements amount (Kshs)	Note Amount (Kshs)	Variance (Kshs)	RESPONSES
Inventories comparative balance	31	33,496,630	29,045,880	4,450,750	The said variance arose from a casting error in which the figure amounting to Kshs 33,496,630 was erroneously posted as Kshs 29,045,880 in note 31 instead of Kshs 33,496,630 as recorded in 2023-2024 audited financial report.
Property, plant and equipment comparative balances	32	1,608,145	1,838,099	(229,954)	The variance of Kshs 229,954 shown in the financial statement of the previous year 23-24 is as a result of one item namely CCTV being posted differently from other PPEs in the statement of financial position, however in our current financial reports all asset including the CCTV are classified under Plant, Property and equipment schedule.
Intangible asset comparative balance	33	9,740,000	7,792,000	1,948,000	The hospital acquired a software valued at kshs. 9,740,000 in financial year 2021-2022. After evaluation the asset had a useful life of 10year, using straight line method in Amortization. The variances of Kshs. 1,948,000 is two years amortization (Kshs. $974,000 * 2 = 1,948,000$).

Intangible asset current balances	33	6,618,000	5,844,000	974,000	The correct position has been reflected in note 33, however, it was captured erroneously in the casting to the financial statements. This error will be adjusted in the current financial year as a prior year adjustment. The amount of Kshs. 5,844,000 is the net book value of the asset as at 30 th June 2025.
Trade and other payables comparative balance	36	6,418,208	7,227,794	(809,586)	This is as a result of casting error in comparative figure in note 36 of the financial report The Kshs 6,418,208 is the actual payables for the period ended 30 June 2024.

Committee Observations

The Committee observed that there were inaccuracies in the preparation of the financial statements thus the true financial position of the hospital could not be determined.

Committee Recommendation

The Committee recommends that-

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

Finance Management Act, Cap.412A on penalties for offences shall apply;

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

2. Misstatement of In-Kind Contributions from the County Government

The statement of financial performance reflects in-kind contributions from County Government amount of Kshs.570, 235,770 as disclosed in Note 7 to the financial statements related to expenditure incurred by the County Government on behalf of the Hospital. Review of records and the payment details provided for the audit, revealed that the Department of Health in the county government made payments totaling Kshs.82, 461,528 in the year resulting to unexplained variance of Kshs.99, 498,041.

In the circumstances, the accuracy and completeness of the in-kind contributions from County Government amount of Kshs. 99, 498,041 could not be confirmed.

Management Response

Narok county referral hospital receives In-kind contribution from Narok county Government every year. During the financial year 2024/2025 we received goods and services amounting to Kshs. 570,235,770, which comprise of salaries and wages amounted to Kshs. 487,774,512 and goods and services amounting to Kshs. 82,561,528

as shown in (Note 7) in the financial report. The Kshs. 99,498,041 (Note 40) is shown in our financial statement as deferred income is the estimated value of additional good and services that the Hospital expected to receive after the closure of the financial year.

Committee Observations

The Committee observed that the reported in-kind contributions from the County Government were misstated, with an unexplained variance of Kshs. 99,498,041 between the amounts recorded in the financial statements and the actual payments supported by records, thereby undermining the accuracy and completeness of the reported figures.

Committee Recommendation

The Committee recommends that-

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

3. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.6, 738,144 as disclosed in note 32 to the financial statements. However, Management did not disclose the value of the land on which the Hospital stands, the buildings and the motor vehicles owned and operated by the Hospital for audit verification.

Further, Management did not maintain an assets register to support the values of the held fixed assets. In addition, the assets handing over report from the County Government to the Hospital was not provided for audit verification.

Similarly, the ownership documents in relation to the Hospital's assets were not provided for audit verification and the assets were not tagged and therefore it was not possible to confirm that the assets are owned by the Hospital.

Review of the asset movement schedule revealed that there was no provision for depreciation and impairment charge for the year contrary to note e of the summary of significant accounting policies. Further, a laptop valued at Kshs.200, 000 which was purchased during the year was not disclosed in the assets movement schedule.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 6, 738,144 could not be confirmed.

Management Response

We acknowledge that the hospital doesn't have ownership documents of its inherited asset, the management had written a letter to the county Government department of lands and urban planning to request for the land title. The Narok County Referral Hospital management has a well maintained asset register of all the assets showing the location, serial numbers and tag numbers.

The laptop computer amounting to Kshs. 200,000 was disclosed in the PPE schedule in the financial report (Note 32.) under the ICT equipment column as additional during the year.

Committee Observations

The Committee observed that the Property, Plant and Equipment (PPE) balance of Kshs. 6,738,144 could not be confirmed due to failure to disclose key asset categories, absence of verifiable ownership documents and asset handover records, lack of asset tagging, inconsistencies in the asset-register, omission of depreciation and impairment charges, and incomplete asset movement disclosures.

Committee Recommendation

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, ensure the transfer of ownership documents of the donated items is fast tracked;**
- ii. the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**

- iii. the Governor ensures the management of the hospital ensures that the valuation of all assets of the hospital is fast-tracked and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- iv. 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
- v. 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.

4. Unconfirmed Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs. 6,818,000. And amortization charges for the year amount Kshs .974, 000 as disclosed in note 33 to the financial statement. However, no disclosure was made in the financial statements as to whether the useful life of the asset. Further, it was observed that the Hospital does not have an amortization policy to apply on its intangible assets and therefore it was not possible to confirm whether the amortization amount of Kshs. 974, 000 is accurate.

In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.6, 818,000 could not be confirmed.

Management Response

We acknowledge that the hospital does not have an amortization policy for intangible asset and we are in the process of formulating a policy this financial year. During year2022 the hospital acquired a software valued at Kshs. 9,740,000 from a developer, upon evaluation by the developer it was observed that the asset has a useful life of 10 years and is amortized at a rate of 10% per annual using straight line method. (Kshs. 9, 740, 000/ 10 years = 974,000 p.a).The value was Kshs 6,818,000 the end of financial year.

Committee Observations

The Committee observed that the intangible assets balance of Kshs. 6,818,000 could not be confirmed as the Hospital had not defined amortization policy to guide computation of the annual amortization charge.

Committee Recommendation

The Committee recommends that the hospital management should prepare a depreciation and amortization policy within 60 days of the adoption of this report and submit to the Auditor- General for verification and the Auditor-General should provide a status update on the matter in the subsequent audit cycle.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects a final receipt budget and actual on comparable basis amounts of Kshs.572, 220,074 and Kshs.132, 177,941 respectively resulting to underfunding of Kshs. 440,042,133 or 77% of the budget. Further, the statement reflects that the Hospital spent an amount of 108,679,983 against actual receipts of Kshs.132, 177,941 resulting to under absorption of Kshs.23, 497,959 or 18% of the actual receipts.

The underfunding and under absorption affected the activities of the Hospital and may impacted negative on service delivery to the public.

Management Response

The statement of budget and actual amount reflects a final receipt budget and actual on comparable basis of Kshs. 572,220,074 and Kshs. 132,177,941 resulting to underfunding of Kshs. 440,042,133 or 77% of the budget. These variances were as result of the high target made but did not materialized. The hospital is optimistic that upon completion of the new Narok county teaching and referral hospital it can raise projected revenue with additional services that will be available.

The hospital also adopted the HSIF act 2017 of the county assembly which required the hospital to set aside at least 25% of its revenue to support primary health care, during the year under audit 18% of our spending went to support primary health care.

Committee Observations

The Committee observed that the Hospital experienced significant budgetary control weaknesses, as evidenced by underfunding of 77% and under absorption of 18% of actual receipts.

Committee Recommendation

The Committee recommends that-

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements**

under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and

- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

Other Matter

1. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the report on the financial statements, report on lawfulness and effectiveness in use of public resources and report on effectiveness of internal control, risk management and governance. Review of the status during audit of the hospital in 2024/2025 revealed that the following nineteen (19) issues remained unresolved.

No.	Financial Year	Audit Issue
1	2023/2024	Unsupported in kind contribution from county government
2	2023/2024	Unexplained variances on transfer for other government entities
3	2023/2024	Irregular payment of board of management allowances
4	2023/2024	Unsupported repairs and maintenance expenses
5	2023/2024	Unsupported accounts receivables balances
6	2023/2024	Un supported refunds deposits
7	2023/2024	Unsupported cash and cash equivalent
8	2023/2024	Failure to disclose amortization for intangible asset
9	2023/2024	Budgetary control and performance
10	2023/2024	Errors in presentation of financial statements
11	2023/2024	Failure to operationalize county healthcare services improvement fund
12	2023/2024	Noncompliance with the law on ethnic composition

13	2023/2024	Deficiencies in implementation of universal health care (UHC)
14	2023/2024	Lac of functional hospital board of management
15	2023/2024	Failure to dispose services asset.
16	2023/2024	Lack of approved data backup and recovery plans
17	2023/2024	Lack of an approved strategic plan
18	2023/2024	Lack of fraud management policy
19	2023/2024	Long outstanding trade and other payables

Management Response

We acknowledge that several issues were raised in prior years' audit reports under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance. In response, the County Executive prepared and submitted detailed mitigation measures and action plans, together with supporting documentation, to the Senate as set out in the Appendices. To date, we have not received any formal feedback or additional guidance on these submissions. We remain committed to fully resolving all outstanding matters and will continue to engage with the relevant oversight organs to obtain concurrence on the proposed corrective actions and timelines.

Committee Observations

The Committee observed that the query remains unresolved as the management of the Hospital did not take action in resolving the queries raised in the report of the Auditor-General for the financial year 2023/2024.

Committee Recommendation

The Committee recommends that-

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding in accordance with section 149(2)(l) of the Public Finance Management Act as read together with section 53(1) of the Public Audit Act. Failure to which the accounting officer shall be in contempt of parliament and we may recommend administrative sanctions such as the removal of the accounting officer, reduction in rank; and**

- ii. **The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Pursuant to Article 229 (6) of the Constitution, based on the audit procedures performed by the Auditor General, the following matters formed the basis for conclusion that public resources were not applied lawfully and in an effective way –

1. Non-Submission Quarterly Financial Reports

During the year under review the Hospital did not submit the required quarterly financial statements as provided for in the law. This is contrary to Section 166 (1) and (3) of the Public Finance Management Act, 2012 which states that an Accounting Officer for a County Government entity shall prepare a report for each quarter of the financial year in respect of the entity; and not later than fifteen days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the County Treasury.

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

Management Response

We acknowledge that the hospital did not submit the quarterly reports on time because we were waiting the signing of the financial report upon appointment of the hospital management committee which happened later in January 2025. Eventually, the hospital submitted signed financial report to the office of the auditor general and the National treasury as required by the public finance management act 2012.

Committee Observations

The Committee observed that the Hospital failed to submit quarterly financial reports within the timelines prescribed under Section 166(1) and (3) of the Public Finance Management Act, 2012.

Committee Recommendation

The Committee recommends that-

- i. **the Accounting Officer should prepare and submit quarterly reports in regard to the financial and non-financial status of the water company in line with section 166 of the Public Finance Management Act, 2012; and**
- ii. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) 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.

2. Non-Compliance with Requirements on universal Health Care (UHC)

Review of the Hospital operations and records in the year ending 30 June 2025 revealed that the health facility is operating contrary to the Kenya Quality Model for Health Checklist designed for level 4 hospitals. The following deficiencies were identified in the implementation of the Universal Health Care programme;

- i. The Hospital lacked key healthcare workers including anesthesiologists. Gynecologists and pediatricians against the standard operational requirement of a level 4 hospital.
- ii. Further, the Hospital did not have functional chemotherapy department and do not have the standard required number of the delivery coaches and baby cots in the delivery rooms and maternity rooms. In addition, the Hospital does not have advanced support unit.
- iii. The Hospital has three (3) operational High Dependency Unit (HDU) against the required six (6) for level 4 hospital.
- iv. The hospital land is approximately fourteen (14) acres. However, the land has not been surveyed and valued and title deed not registered in the facility's name as required of a level 4 hospital.
- v. The hospital has six (6) medical officers against the required sixteen (16) for a level 4 hospital.
- vi. The hospital does not have an operational ambulance.
- vii. The hospital does not have a functional hospital board which is a requirement for a level 5

These deficiencies contravene the First Schedule of Health Act, 2017 and implies that accessing highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved. Further this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

In the circumstances, the Hospital may not be able to deliver on its mandate.

Management Response

We acknowledge that the hospital has not complied with some of the universal health coverage (UHC). Below are the steps the hospital is taking to comply with UHC.

1. The hospital currently as one gynecologist, however one is completing her specialization this year and two others next year. We have two pediatricians.

Other specialists include: two general surgeons, two orthopedic surgeons, one pediatric surgeon, two family physicians, one physician, one ENT surgeon and one radiologist. The county recently advertised for positions of consultants and other health care workers.

2. A new hospital is currently being constructed and it is almost nearing completion. In the new hospital, there will be a chemotherapy unit. The hospital will also be fully equipped to modern standards. The new hospital will have 10 High dependency units (HDU).
3. The hospital management has written to the county department of lands and physical planning to be provided with a copy of the hospital land title deed.
4. The County Government currently contracts emergency referral and evacuation services from Red Cross. An Advanced Cardiac Life Support (ACLS) ambulance is deployed to Narok County Referral Hospital.

Committee Observations

The Committee observed that the Hospital did not fully comply with the requirements for Universal Health Coverage and the standards applicable to a Level 4 hospital, as it lacked critical specialist staff, essential service units and equipment,

Committee Recommendation

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. Non-Compliance with Law on Recruitment of Staff Living with Disabilities

Review of the Human Resources records revealed that the Hospital does not have any employee living with disabilities. This is contrary to Section B.23 (1) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016 which states that persons with disability shall be accorded equal employment opportunities provided they have the necessary qualifications and are suitable for such employment. Further, sub-section 2 states that the Government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities.

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

Management Response

The hospital acknowledges the importance of giving employment opportunities to person with disability. We commit to engage organizations and groups dealing with persons with disability with the aim of creating awareness and encouraging them to apply for job opportunities at our facility when vacancies arise.

Committee Observations

The Committee observed that the Hospital did not comply with the requirement to promote equitable representation of persons living with disabilities in employment, as no employee with disability was engaged, contrary to Section B.23(1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

Committee Recommendation

The Committee recommends that the Accounting Officer and the County Executive Committee Member for Health should institute affirmative measures to ensure compliance with Section B.23(1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 by progressively attaining the prescribed five percent representation of persons living with disabilities in the Hospital's workforce.

4. Failure to Reserve a 30% of Procurement Contracts to Special Groups

The hospital management had not allocated any procurement opportunities to special interest's groups as directed by Executive Order No, 2 of 2018 since evidence of award of contracts to special groups was not provided for audit verification.

In the circumstances, Management was in breach of the regulations and Government policy.

Management Response

The hospital acknowledges and committed to reserve tender jobs to women and youth and person with disability, the hospital has contracted a number of youth and women to supply good and services as needed.

Committee Observations

The Committee observed that the Hospital failed to comply with Government policy on access to procurement opportunities for special groups, as no evidence was provided to confirm that at least 30% of procurement contracts were reserved for women, youth, and persons with disabilities, contrary to Executive Order No. 2 of 2018.

Committee Recommendation

The Committee recommends that-

- i. The Governor through the Accounting Officer should ensure full compliance with Executive Order No. 2 of 2018 by reserving at least 30% of procurement opportunities for women, youth, and persons with disabilities and maintaining adequate documentation to demonstrate such awards;**
- ii. The County Executive Committee Member for Health should establish a clear framework for identifying, tracking, and reporting contracts allocated to special groups for the hospital. The Auditor-General should verify compliance in subsequent audit cycle.**

5. Failure to Implement E-Procurement System

During the year under review, the Hospital Management did not fully implement E Procurement nor complied with all the requirements of the Executive Order No. 2 of 2018. It was noted that tenders were maintained and publicized on Hospital's website and bids could be submitted through the same website. This was contrary to the Executive Order No. 2 of 2018 which requires the Hospital to maintain and continuously update, through the websites of e-Citizen, Public Procurement Regulatory Authority platforms, public notice boards and/or official government publications a complete information of all tenders, and that the Hospital updates and publicize a separate comprehensive list of all registered suppliers, contractors and consultants in the various specific categories of goods, works and/or services pre-qualified to its procurement needs and consolidated and published the information above by 15th day of every subsequent month, outlining the tender and supplier data for the previous month.

In the circumstances, Management was in breach of the regulations and Government policy.

Management Response

The National treasury issued a circular to the county government instructing for training of procurement staffs and other essential staff of the county, in order to commence the procurement process through the e-procurement module on the IFMIS system. However, while in the process of implementing the e-procurement module, it became apparent that the national treasury had intentions of rolling out the electronic government procurement system (eGPS) from the 1st of July 2025. We are committed to implement and operationalize e –procurement as part of strengthening our internal control systems.

Committee Observations

The Committee observed that-

1. The Hospital did not fully implement the e-procurement system and failed to comply with the disclosure and publication requirements under Executive Order No. 2 of 2018.
2. tender information was not published across the required platforms, and there was no evidence of monthly publication of comprehensive tender and supplier data.

Committee Recommendation

The Committee recommends that-

- i. **the Accounting Officer should fast-track the full implementation and operationalization of the e-procurement system in line with Executive Order No. 2 of 2018 and relevant National Treasury directives;**
- ii. **the governor should ensure that the Accounting Officer should ensure timely submission of documents during the audit process in line with section 47(1) of the Public Audit Act, Cap.412B as read together with section 149(2)(k) 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.**
- iii. **the Hospital should maintain a complete and up-to-date register of prequalified suppliers, contractors, and consultants, and publish consolidated monthly procurement information by the 15th day of the subsequent month as required; and**
- iv. **the County Executive Committee Member for Health, in liaison with the County Treasury, should strengthen oversight and capacity building for procurement staff, while the Auditor-General should follow up compliance in the next audit cycle.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Pursuant to section 7(1) of the Public Audit Act, based on procedures performed by the Auditor General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective –

1. Unconfirmed Imprest Balance

Review of information and documentation provided for audit reflects various members of staff that were issued with temporary imprests in the period under audit. However, the imprest levels have not been determined for either standing or temporary imprest in line with specific purposes for which the imprests is to be applied.

In the circumstances, the Hospital has not instituted control measures on the amount issuable as standing or temporary imprest to mitigate misuse of the facility.

Management Response

The hospital has a hospital management team and hospital management committee that approves the establishment of an imprest including the maximum amount to be spend for purpose of the facility in line with the approved budget and the annual work plan. However, the hospital plans to formulate imprest policy which will be implemented to strengthen the internal control systems.

Committee Observations

The Committee observed that the Hospital had not established clear imprest control limits for either standing or temporary imprests, resulting in weak internal controls over issuance and use of imprests.

Committee Recommendation

The Committee recommends that within 90 days of the adoption of this report, the Governor should ensure that the Accounting Officer should develop, approve, and implement a formal imprest policy setting out clear limits, approval procedures, eligible purposes, surrender timelines, and accountability requirements for both standing and temporary imprests. The Auditor-General to keep the matter in view and report in the subsequent audit cycle.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs. 4,998,772 as disclosed in Note 36 to the financial statements. Review of the aging analysis provided for audit verification revealed that an amount of Kshs.4, 199,772 had been outstanding for more than one (1) year. No satisfactory reason was provided by Management on why the payables balance has not been cleared as required.

In the circumstances, the Hospital may incur additional and unnecessary costs of interest and penalties related to the continued delay in settlement of the long outstanding payables.

Management Response

The hospital is committed to clear the trade and other payables that have been outstanding for more than 3 years. We have attached a payment plan to offset of all the outstanding payables.

Committee Observations

The Committee observed that the Hospital had long-outstanding trade and other payables amounting to Kshs. 4,199,772 which had remained unsettled for more than one year.

Committee Recommendation

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**
- ii. Management ensures compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, which requires that debt service payments be treated as a first charge on the Consolidated Fund to avoid default on obligations; and**
- iii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

3. Lack of Fraud Management Policies and Risk Management Strategies

During the year under review, the Hospital did not have a fraud management policy to assist in detecting and preventing fraud. Further, Management did not have a risk management policy or strategy and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. This was contrary to Regulation 158 of the Public Finance Management (County Government Regulations) 2015.

In addition, it was observed that the Hospital lacks a disaster recovery plan or business continuity plan which outlines how it will continue operating during an unplanned

disruption in service. Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. Management did not perform formal risk assessments during the financial year.

In the circumstances, the effectiveness of internal controls on risk management could not be confirmed.

Management Response

Management acknowledges the absence of formal Fraud Management Policy, Risk Management Strategy, Disaster Recovery Plan, during the audit year, contrary to PFM (County Governments) Regulation 158(2015). No formal risk assessments were conducted, limiting the ability to prioritize risks.

Since the auditor brought this to our attention, we have taken corrective measures to address the issue in accordance with the law. The hospital management team has put in place risk control mechanisms such as risk reporting and investigation within service provision areas, use of standard operating procedures for high risk procedures in all the service areas e.g. surgical procedures, medication administration, diagnostics among others. Risk have been categories in the hospital are classified as follows; clinical risks (related to patient care, such as medication errors, surgical complications, and hospital acquired infections,) operational risks (related to hospital operations such as equipment failure, supply chain disruptions, staffing shortages) Financial risk (billing errors, Insurance claims, financial instability) Reputation risk (negative publicity, patient complaints, regulatory non-compliance).

Committee Observations

The Committee observed that the Hospital operated without key governance and internal control instruments, including a fraud management policy, risk management policy or strategy, disaster recovery plan, business continuity plan, and documented procedures to guide critical-financial and personnel-related processes, contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the Board of Directors ensures that the Hospital puts in place all internal control systems such as a Risk Management Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of all the funds. Further, the management to submit evidence of the same to the Auditor-General for verification.

4. Lack of Approved Data Backup and Recovery Plans

Review of the Hospital's information technology (IT) environment and systems revealed that it uses a management information system (MIS) software in recording revenue generated from various sources. However, it was observed that the system is not backed up to secure the revenue data. In addition, the Hospital does not have approved data backup and recovery procedures.

In the circumstances, Management may not be in a position to evaluate, rank and prioritize critical risks and channel resources towards mitigating identified risks.

Management Response

The hospital has a Q-afya HMIS software assists in data generation and storage. This system is well secured from fraud and hacking by unauthorized personnel. It has an anti-theft system installed together with a firewall to protect data from being lost. The data is backed though cloud computing in case of hazard, disaster or destruction of hardware data can still be retrieved. The q-afya system undergoes routine servicing and maintenances by our IT department.

Committee Observations

The Committee observed that the Hospital had not established approved data backup and recovery plans to guide the protection and restoration of revenue data captured in its management information system.

Committee Recommendation

The Committee recommends that the Governor should submit a report on the operationalization of the Q-afya HMIS software within 30 days to the Senate, while the Auditor-General should verify compliance in the subsequent audit cycle.

5. Lack of an Internal Audit Function and Audit Committee

During the year under review, the Hospital had not established an audit committee and did not have an internal audit function in place. Management had also failed to rely on the internal audit department of the County Executive since there was no evidence to indicate that the Hospital had been audited by the internal audit department of the County Executive.

In the circumstances, Management may not have mechanisms to assess the effectiveness of internal controls, risk management and overall governance of the Hospital.

Management Response

The County Executive has made substantial progress in strengthening the internal audit function and its governance structures. During the year under review, the Internal Audit Department operated under an approved Internal Audit Charter and a risk-based Annual Audit Plan, both of which guided its activities in line with Regulation 153(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

Further, the County Audit Committee was formally appointed on 8th October 2024 and has since been inducted and held three meetings, providing oversight and strategic direction to the internal audit function. In the current financial year, the department has been allocated an independent budget, and an Authority to Incur Expenditure (AIE) has been issued to the Head of Internal Audit, thereby enhancing operational autonomy and effectiveness.

Management remains committed to continuous improvement and full compliance with applicable regulations. Measures are in place to ensure that the internal audit function continues to operate independently, with adequate resources and oversight, thereby contributing meaningfully to the Narok County Referral level 4 Hospital's accountability and governance processes.

Committee Observations

The Committee observed that the Hospital had not established an internal audit function or audit committee during the year under review, and there was no evidence that the County Executive's internal audit department carried out any audit of the Hospital.

Committee Recommendation

The Committee recommends that the hospital management ensures compliance with Regulations 153(1) and 155(5) of the Public Finance Management (County Governments) Regulations, 2015 and have an audit committee in place to guide in the internal operations of the hospital.

CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NAROK FUNDS FOR THE FINANCIAL YEAR 2024/2025

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various funds in Narok County. Consequently, and in accordance with Article 229(7) of the Constitution as read together with section 32(1) of the Act submitted the following reports to the Senate-

1. Maasai Mara Community Support Fund;
2. Narok County Alcoholics Drinks Regulation and Control Fund; and
3. Narok County Bursary Management Fund.

Committee Observation

The Committee takes note of the queries raised by the Auditor-General in these reports.

Committee Recommendation

The Committee recommends that-

- i. the Governor through the respective accounting officers ensures that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report on the financial statements for the Narok funds for the Financial Year 2024/2025 and submit a report to the Senate within 30 days of the adoption of this report and a copy to the Auditor-General; and
- ii. the Auditor-General to keep the matter in view in the subsequent audit cycle.

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. Kabondo Sub-County Hospital
- IX. Kandiege Sub-District Hospital
- X. Kendu Sub-District Hospital
- XI. Kisegi Sub-District Hospital
- XII. Magunga Level Iv Hospital
- XIII. Makongeni L4
- XIV. Malela Level 4 Hospital
- XV. Marindi Sub County Referral Hospital
- XVI. Ndhiwa Sub County Hospital
- XVII. Nyandiwa Level Iv Hospital
- XVIII. Nyangiela Sub District
- XIX. Ogongo Level 4 Hospital
- XX. Pala Level 4 Hospital

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

4. Migori

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

5. Kisii

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

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

6. Machakos

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

7. Baringo

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

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

8. Isiolo

- I. Isiolo Municipality
- II. Isiolo County Referral Hospital
- III. Financing Locally-Led Climate Action Programme (Filoca)
- 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.)