



REPUBLIC OF KENYA



THE SENATE

Rt. Hon. Speaker  
You may approve for tabling  
J. M. Nyegenye, C.B.S.,  
Clerk of the senate/ secretary, PSC  
Date: 25/03/26

THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF MURANG'A COUNTY WATER COMPANIES, MUNICIPALITIES, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/25 (1<sup>st</sup> JULY, 2024 TO 30<sup>th</sup> JUNE, 2025):

| SECTOR          | NO. | ENTITY   |
|-----------------|-----|--|
| WATER COMPANIES | 5   | GATAMATHI WATER AND SANITATION COMPANY<br>GATANGA WATER AND SANITATION PLC<br>KAHUTI (MURANG'A WEST) WATER AND SANITATION COMPANY LIMITED<br>MURANG'A SOUTH WATER AND SANITATION COMPANY (MUSWASCO)<br>MURANG'A WATER AND SANITATION COMPANY (MUWASCO) LIMITED |
| MUNICIPALITIES  | 3   | KANGARI MUNICIPALITY<br>KENOL MUNICIPALITY<br>MURANG'A MUNICIPALITY  |
| HOSPITALS       | 4   | KANDARA SUB-COUNTY HOSPITAL<br>KIGUMO LEVEL 4 HOSPITAL<br>MARAGUA SUB-COUNTY LEVEL 4 HOSPITAL<br>MURANG'A LEVEL 5 HOSPITAL   |
| FUNDS           | 4   | MURANG'A COUNTY GOVERNMENT EDUCATION AND SCHOLARSHIP FUND<br>MURANG'A COUNTY AGRICULTURAL FARM INPUTS SUBSIDY & INCENTIVE FUND (AFIS FUND)<br>MURANG'A COUNTY CLIMATE CHANGE FUND<br>MURANG'A COUNTY YOUTH FUND  |

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| PAPERS LAD         |               | 26/3/26 |
| DATE               | 26/3/26       | 1       |
| TABLED BY          | Sen Cheranika |         |
| COMMITTEE          | CP & SF       |         |
| CLERK AT THE TABLE | Belinda       |         |

MARCH 2026

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## **ACRONYMS/ABBREVIATION**

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

## DEFINITION OF TERMS

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

## **PREFACE**

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

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Murang'a County water companies, Municipalities and Hospitals for the Financial Year 2024/2025. The entities considered include Gatamathi Water and Sanitation Company, Gatanga Water and Sanitation PLC, Kahuti (Murang'a West) Water and Sanitation Company Limited, Murang'a Water and Sanitation Company (MUWASCO), Murang'a South Water and Sanitation Company (MUSWASCO); Kangari Municipality, Kenol Municipality, Murang'a Municipality; Kandara Sub-County Hospital, Kigumo Level 4 Hospital, Maragua Subcounty Level 4 Hospital and Murang'a Level 5 Hospital.

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

## COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

- |   |                           |
|---|---------------------------|
| 1. Sen. Godfrey Atieno Osotsi, CBS, MP.   | - <b>Chairperson</b>      |
| 2. Sen. Eddy Gicheru Oketch, MP.          | - <b>Vice-Chairperson</b> |
| 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        | - Serjent-at-arms          |

## **ESTABLISHMENT OF THE COMMITTEE**

The Committee was first constituted on 19<sup>th</sup> 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 12<sup>th</sup> 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 Murang'a water companies, municipalities and hospitals for the Financial year 2024/25 (1<sup>st</sup> July, 2024 to 30<sup>th</sup> June 2025) as the primary documents for the investigations. The Committee invited the Governor of Murang'a 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 both written and oral evidence from the Governor, accompanied by relevant county officials, in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates.

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on twelve (12) entities in Murang'a County for the Financial Year 2024/25. The entities covered are: five (5) water companies – Gatamathi Water and Sanitation Company, Gatanga Water and Sanitation PLC, Kahuti (Murang'a West) Water and Sanitation Company Limited, Murang'a Water and Sanitation Company (MUWASCO), and Murang'a South Water and Sanitation Company (MUSWASCO); three (3) Municipalities – Kangari Municipality, Kenol Municipality and Murang'a Municipality; and four (4) hospitals - Kandara Sub-County Hospital, Kigumo Level 4 Hospital, Maragua Subcounty Level 4 Hospital and Murang'a Level 5 Hospital.

Ten out of the twelve entities received Qualified Opinion, one entity received an Unqualified Opinion, whereas one entity received an Adverse Opinion, from the Auditor-General, indicating the existence of significant audit issues that require urgent management attention and corrective action.

The key issues identified across the entities include: going concern uncertainties arising from accumulated losses and negative working capital; non-revenue water at levels exceeding regulatory benchmarks; operation without valid WASREB licenses; irregular engagement of casual employees; non-remittance of statutory deductions; unresolved prior year audit matters; budgetary control issues; over-reliance on County Government transfers; non-compliance with procurement regulations; failure to retain Facilities Improvement Funds (FIF) at the hospitals; Non-compliance with the Kenya Quality Model for Health Policy Guidelines 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 Murang'a Water Companies for the Financial Year 2024/25, along with the Committee's observations and recommendations for each audit query.

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

**CHAPTER THREE** is a record of the audit queries raised in the report of the Auditor-General for Murang'a Hospitals for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

## GENERAL OBSERVATIONS FOR WATER COMPANIES

The Committee made the following general observations regarding the operations and financial management of Murang'a Water Companies under review: -

1. **Non-Revenue Water (NRW)** – The Committee observed that the Water Companies recorded NRW levels 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. **Non-Adherence to Accounting Standards** – The committee observed that accountants across the Water Companies faced challenges in fully adopting the International Public Sector Accounting Standards (IPSAS) framework. The Committee noted that while the Public Sector Accounting Standards Board (PSASB) periodically updates these standards to reflect emerging issues and best practices, many water companies struggle with their application, as evidenced by recurring audit queries.
4. **Non-Compliance with Ethnic Inclusivity Requirements** – The Committee observed significant non-compliance with the National Cohesion and Integration Act, Cap. 7N, and Section 65(1)(e) of the County Government Act, Cap. 265. These provisions mandate that public offices represent ethnic diversity and that at least 30% of entry-level posts be filled by candidates from outside a county's dominant ethnic community. A stark example is Murang'a South Water and Sanitation Company Limited, where 95% of the staff are from the same ethnic community.
5. **Material Uncertainty Regarding Going Concern** – The committee noted that four of water companies reported negative working capital during the review period, rendering them unable to meet short-term financial obligations as they fall due. Their continued operation is heavily reliant on financial support from County Executive or development partners, raising material doubts about their long-term financial sustainability.
6. **Weak Budgetary Control and Performance** – The Committee observed that the water companies had widespread weaknesses in budget execution. Water companies frequently failed to adhere to approved budget ceilings, resulting in

either over-utilization or under-utilization of appropriated funds. In several instances, funds were re-allocated to unbudgeted items without prior Board approval. These issues are compounded by high revenue shortfalls and the preparation of unrealistic budgets.

7. **Incomplete Transfer of Assets and Liabilities** – The Committee observed that most water companies 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 these companies from presenting a true and fair view of their financial position in their books of account.
8. **Disputes over Asset Ownership** – The Committee observed MUWASO and MUSWASCO were embroiled in disputes regarding the ownership of Maragua Dam Project, creating legal and financial uncertainty.
9. **Lack of an Updated Fixed Asset Register** – The Committee observed that the water companies 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 WATER COMPANIES**

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 implement 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. **Capacity Building on Financial Reporting Standards** – The Governor ensures the Board of Directors, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitate continuous capacity building for finance officers and management on International Public Sector Accounting Standards (IPSAS) to improve the quality of financial reporting and enhance compliance. The Board must ensure that all accounting personnel possess the requisite competency and experience as mandated by the Accountants Act. Additionally, the Accounting Officer should enforce strict adherence to the financial reporting template prescribed by the National Treasury. These measures will strengthen the maintenance of books of account, improve the accuracy of financial statements, and ensure their timely submission to the Auditor-General.
4. **Compliance with Ethnic Inclusivity and Diversity Requirements** – The Governor ensures the Board and County Government to make deliberate efforts to progressively comply with section 7(1) and (2) of the National Cohesion and Integration Act and Section 65(1) (e) of the County Governments Act on diversity, realization of the one-third rule on recruitment in public institutions and ethnic inclusivity. In addition, the Board and the County Governments should establish a diversity policy to comply with the law. Compliance status shall be reviewed in subsequent audit periods.
5. **Strengthening Financial Sustainability and Asset Management** - The Board, Accounting Officers and the County Government to put in place strategic and innovative measures for recovery and to boost the financial health of the water companies for self-sustainability. The Board should indicate if the financial support is a conditional grant or donation in their books of account and it should not be a direct transfer from the County Executive. Further, the County Governor through the County Executive Committee member for water should monitor the financial operations of the water companies pursuant to section 184 of the Public Finance Management Act.
6. **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.

7. **Resolution of Asset and Liability Transfer Disputes** - The Governor should engage the Ministry of Water, Sanitation and Irrigation, the Water Services Regulatory Board (WASREB), the Regional Water Works Development Agencies and the Inter-Governmental Relations Technical Committee to settle the matter on the transfer of the assets and liabilities as required by the Water Act.
8. **Strict Adherence to Statutory and Regulatory Frameworks** - The Governor ensures the Board and accounting officers of the water companies are directed to ensure strict compliance with all relevant laws and regulations, including but not limited to the Public Finance Management Act, the Public Audit Act, the Public Finance Management (County Government) Regulations, 2015, the Water Act, the Accountants Act, the Companies Act, the Income Tax Act, the Employment Act, Cap.226, the Pension Act, the Retirement Benefits Act and the Water Services Regulatory Board (WASREB) guidelines. Non-compliance shall attract appropriate sanctions.
9. **Expediting Transfer of Assets and Liabilities** - The Governor should engage the Inter-Governmental Relations Technical Committee (IGRTC) and the relevant Regional Water Works Development Agency 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.
10. **Maintenance of Updated Fixed Asset Registers** - The Board of Directors and the managing director should ensure the water companies 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 MUNICIPALITIES**

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

1. **Lack of Operational Autonomy of Municipalities** – The Committee observed that the municipalities 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. **Deficiencies in Financial Reporting and Standards Compliance** – The Committee observed that there were numerous inaccuracies and errors in the financial statements of municipalities, raising concerns about the capacity of the

officers responsible for their preparation. Furthermore, municipalities face persistent challenges in adapting to the International Public Sector Accounting Standards (IPSAS) framework required for the preparation of their financial statements.

3. **Asset Management-** The Committee observed that the assets belonging to municipalities were still being held and managed by the county executive. Consequently, this made the municipalities not 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.
4. **Late Submission of Audit Documents-** The Committee noted that the Auditor-General encountered significant challenges due to the late submission of supporting documents by municipalities 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 the timely provision of documentation.
5. **Weak Budgetary Control and Performance** – The Committee observed that municipalities had weaknesses in executing their approved budgets and did not adhere to the approved budget ceilings set for programs. The municipalities either over-utilized or under-utilized the appropriated funds. Further, some Municipalities prepared unbalanced budgets contrary to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015.

## **GENERAL RECOMMENDATIONS FOR MUNICIPALITIES**

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

1. **Enforcement of Municipal Autonomy and Adequate Funding** - The Governor ensures that the operationalization of municipalities is undertaken according to the functions delegated as gazetted by the County Government. Further, the Governor should ensure that municipalities are adequately funded in accordance with section 172 of the Public Finance Management Act, 2012, to enhance their operational independence and enable effective service delivery. The Governor should further ensure that all municipalities in the county are operationalized to undertake their delegated functions in line with law by the commencement of the Financial Year 2026/2027.
2. **Strengthening Financial Reporting Capacity-** The Governor ensures the Municipal Manager and the head of finance shall, in consultation with the County Treasury and the Public Sector Accounting Standards Board (PSASB), develop and implement a continuous capacity-building program for all finance officers on the application of International Public Sector Accounting Standards

- (IPSAS). Further, the Municipal Manager shall ensure that all financial statements prepared from the financial year 2025/26 onwards fully comply with the most current IPSAS framework as issued by the PSASB. Any deviation shall be explicitly explained and justified in the notes to the financial statements.
3. **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.
  4. **Timely Submission of Audit Documents** – The Governor should ensure that the Municipal Manager and the head of finance are 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.
  5. **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 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. **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.
3. **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.
4. **Weak Budgetary Control and Performance-** The Committee observed that hospitals exhibit weaknesses in budget execution and did not 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 management board. Additionally, hospitals experience high revenue shortfalls attributable to unrealistic budgeting and poor revenue forecasting.
5. **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 HOSPITALS

The Committee recommends that-

1. **Compliance with Kenya Quality Model for Health Policy Guidelines** - The Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. Further ensures the hospital develops and implements a comprehensive plan with appropriate budgetary provision to acquire the necessary equipment and encourage the ongoing training and prioritize new recruitments to fill gaps in medical personnel, ensuring specialized services can be offered in-house.
2. **Capacity Building on Financial Reporting Standards** - The Governor ensures the hospital management team, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitates continuous capacity building on financial reporting standards for finance officers and management in hospitals to improve the quality of reporting and enhance compliance. The hospital management team 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.
3. **Compliance with Ethnic Inclusivity Requirements** - The hospital management team 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.
4. **Preparation of Realistic Budgets and Revenue Projections** - The Governor ensures the hospital management team and Accounting Officers prepare realistic budgets and revenue projections to avert revenue shortfalls that negatively impact hospitals' service delivery. Additionally, the hospital management team 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.
5. **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 hospital management team 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 Senate and a copy 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: ..... 

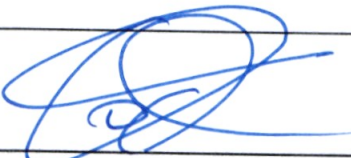
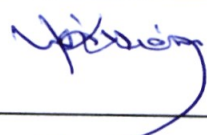
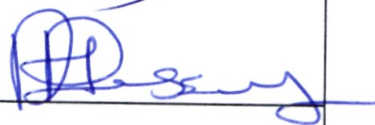
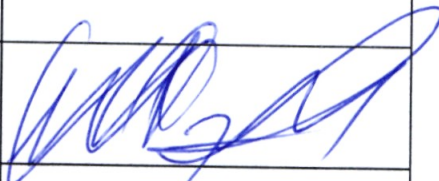

DATE: ..... 23 / 03 / 2026

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

**ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF MURANG'A COUNTY WATER COMPANIES, MUNICIPALITIES, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/25 (1<sup>st</sup> JULY, 2024 TO 30<sup>th</sup> JUNE, 2025):**

| <b>SECTOR</b>          | <b>NO.</b> | <b>ENTITY</b>   |
|------------------------|------------|---|
| <b>WATER COMPANIES</b> | <b>5</b>   | <b>GATAMATHI WATER AND SANITATION COMPANY<br/>GATANGA WATER AND SANITATION PLC<br/>KAHUTI (MURANG'A WEST) WATER AND SANITATION COMPANY LIMITED<br/>MURANG'A SOUTH WATER AND SANITATION COMPANY (MUSWASCO)<br/>MURANG'A WATER AND SANITATION COMPANY (MUWASCO) LIMITED</b> |
| <b>MUNICIPALITIES</b>  | <b>3</b>   | <b>KANGARI MUNICIPALITY<br/>KENOL MUNICIPALITY<br/>MURANG'A MUNICIPALITY</b>  |
| <b>HOSPITALS</b>       | <b>4</b>   | <b>KANDARA SUB-COUNTY HOSPITAL<br/>KIGUMO LEVEL 4 HOSPITAL<br/>MARAGUA SUB-COUNTY LEVEL 4 HOSPITAL<br/>MURANG'A LEVEL 5 HOSPITAL</b>  |
| <b>FUNDS</b>           | <b>4</b>   | <b>MURANG'A COUNTY GOVERNMENT EDUCATION AND SCHOLARSHIP FUND<br/>MURANG'A COUNTY AGRICULTURAL FARM INPUTS SUBSIDY &amp; INCENTIVE FUND (AFIS FUND)<br/>MURANG'A COUNTY CLIMATE CHANGE FUND<br/>MURANG'A COUNTY YOUTH FUND</b>   |

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<br><i>(Chairperson)</i> |    |
| 2.  | Sen. Eddy Gicheru Oketch, MP <i>(Vice – Chairperson)</i>    |  |
| 3.  | Sen. Agnes Kavindu Muthama, MP                              |  |
| 4.  | Sen. William Kipkemoi Kisang, CBS, MP.                      |   |
| 5.  | Sen. Peris Pesi Tobiko, CBS, MP                             |  |
| 6.  | Sen. Beth Kalunda Syengo, MP                                |  |
| 7.  | Sen. George Mungai Mbugua, MP                               |  |
| 8.  | Sen. Raphael Chimera Mwinzangu, MP                          |  |
| 9.  | Sen. Hamida Ali Kibwana, MP                                 |  |

## CHAPTER ONE: WATER COMPANIES

### 1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GATAMATHI WATER AND SANITATION COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Gatamathi Water and Sanitation Company for the Financial Year 2024/2025. The following officers accompanied the Governor—

- |                        |                          |
|------------------------|--------------------------|
| 1. Prof. Kiarie Mwaura | - CECM Finance           |
| 2. CPA Loice Ndung'u   | - Commercial Manager     |
| 3. Ann Maina           | - Board Member Gatamathi |
| 4. John Nyamu          | - Board Member Gatamathi |

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Gatamathi Water and Sanitation Company for the financial year on the following basis—

##### 1. Inaccuracies in the presentation and disclosure of statement of comparison of budget and actual amount

The statement of comparison of budget and actual amount omits budgetary carryovers from the previous year of Kshs. 2,136,946 relating to opening balance of cash and cash equivalents which ought to be included under the column for budget adjustments.

The statement of comparison of budget and actual amounts on budget reconciliation reflects reconciliation between opening balances of Kshs. 2,136,946 and closing balance of Kshs. 3,877,916 of cash and cash equivalent instead disclosing the reconciliation between actual amount of deficit of Kshs. 5,369,762 as per the statement of comparison of budget and actual amount and the closing cash and cash equivalent balance of Kshs. 3,877,916, contrary to the requirement of financial reporting template issued by the Public Sector Accounting Standard Board.

##### Management Response

The anomalies on inaccuracies in the presentation and disclosure of statement of comparison of budget and actual amount have been noted and will be rectified in the subsequent reporting.

##### Committee Observations

The Committee observed that-

1. the query has not been addressed as the statement of comparison and budget and actual amount fails to comply with the prescribed Public Sector Accounting Standard Board reporting framework.
2. there was an omission of prior year budgetary balance of Kshs. 2,136,946 and incorrect basis of reconciliation.
3. Management has committed that the anomaly will be corrected in the subsequent reporting.

#### **Committee Recommendations**

**The Committee recommends that—**

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

#### **2. Undisclosed Property, Plant and Equipment**

The statement of financial position reflects net balances of Kshs. 28,193,208 in respect to property, plant and equipment as disclosed in Note 17 of the financial statement. The

company has invested in the water infrastructure assets which include tangible and intangible components use to supply and manage water and sanitation services, such as pipes, treatment plants and reservoirs however, the values of these assets has not been determined and disclosed in the financial statement.

Further the Company is situated and operates on the land offices of the former Government of Kenya Water Supply Department used by the former district water officers which include building and fixtures constructed on pooled Government land with other Ministries. There was no evidence of transfer of assets as envisaged in Water Act, 2002 (revised 2016) and values of the assets have not been disclosed in the financial statement.

### **Management Response**

1. The company has invested heavily on assets in terms of water infrastructure through internally generated funds. The disclosure of this asset procured through own source generated funds has been done in the financial statements. The company has also received several motor vehicles/cycles from the Water Work Agencies that has a direct benefit to the operations, a disclosure has been made under Note 26 to the financial statements (Related party disclosure).

The only challenge is on the disclosure of those assets that were inherited from the Government. These assets have assisted the company in revenue generation but at the date of taking over their fair value were not determined as the assets were not properly transferred as intended in the Water Act 2002(revised 2016). To comply with this standard, the company will engage the County Government, AWWDA and the Ministry of Water to guide on the transfer and determination of the value for proper disclosure in the financial statements.

2. The company office is still situated and continues to operate on the land and offices of the former Government of Kenya Water Supply Department used by the former district water officers which include building and fixtures constructed on pooled Government land with other Ministries. Since the transfer of assets did not take place, the Government still owns the land and holds the Titles. Since the land where the offices are situated is registered under the Ministry of Health the company will continue engagement with the County Government to have a Memorandum of Understanding (MOU) between the water company and the Nyakianaga Health Center.

### **Committee Observations**

The Committee observed that-

1. The value of inherited Water infrastructure assets, which include tangible and intangible components used to supply and manage water and sanitation services, such as pipes, treatment plants and reservoirs has not been determined and disclosed in the financial statement by the Company.

2. Values of building and fixtures inherited from the former Government of Kenya Water Supply Department have not been determined.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters of water, should engage with the relevant Water Works Development Agencies and IGRTC to 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 that the management of the water company undertakes the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification. The Auditor general to provide a status update on the matter in the subsequent audit cycle;**
- iv. **upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 120 days of the adoption of this report and submit to the Senate and a copy to the Auditor General for verification;**
- v. **the governor should ensure a Memorandum of Understanding (MOU) is in place between the water company and the Nyakianga Health Center, for the land and buildings which they occupy;**
- vi. **the governor should ensure that the accounting officer undertakes adjustments to the financial statements so as to reflect the true value of the assets and auditor general should keep the matter in view in the subsequent audit cycle; and**
- vii. **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.**

### **3. Long Outstanding Trade and Other Receivables**

The statement of financial position reflects a net balance of Kshs. 40,716,948 for trade and other receivables as disclosed in Note 15 to the financial statements. The Note further reflects Kshs. 63,378,080 as gross trade receivables, out of which impairment

allowance of Kshs. 22,661,132 was provided for during the year which is an increase of Kshs. 2,473,997 from the prior year audited financial statement amount of Kshs. 20,187,135. However, the increase was not supported by specific lists of customers declared doubtful during the year.

In addition, gross balances of trade and other receivables includes an amount of Kshs. 36,452,270 in respect of dormant accounts composed of Kshs. 22,662,132 and Kshs. 13,791,137.50 for individual and institutions accounts respectively out of which outstanding debt amounting to Kshs. 17,059,125 had been dormant for more than five (5) years representing 47% of the total.

### **Management Response**

The Company has a policy of disconnecting customers who have accumulated balances for over 3 months. Over time the list of disconnected customers has been rising as majority of those disconnected are not paying their debts leading to an accumulation of Kshs. 36,452,270 for the dormant connections. To manage these debts, a debt management and revenue collection section has been constituted which has been engaging customers for an agreed payment modalities as there are reconnected back. This has assisted the company to revive 549 connections for the period 1<sup>st</sup> July, 2025 to 31<sup>st</sup> December, 2025 who have paid a total of Kshs. 1,132,322. We have further reviewed the individual debtor balances and have determined that, based on available evidence, a high percentage of the debts remain fully recoverable and the company has a target of reducing dormant accounts balances by 10% in the current financial year.

Further the management has recommended for board approval a debt swapping of customer deposits and water debts with an intention of reducing the dormant accounts receivables for those customers proving difficult to reconnect.

### **Provision for bad and doubtful debts**

We have assessed and made a provision for impairment of Kshs. 22,661,132 basing on all customers on cut off at the close of the financial year, an increase of Kshs. 2,473,997 from the prior year.

### **Provision for bad and doubtful debt policy**

Regarding lack of policy to guide on provision for bad and doubtful debt, the company has a debt management policy in place which also anchors in it the policy on provision for bad and doubtful debts. We have reviewed and resolved to develop a standalone policy for provision for bad and doubtful debts.

### **Committee Observations**

The Committee observed that-

1. The specific lists of customers declared doubtful during the year amounting Kshs. 2,473,997 has been provided.
2. No evidence of collection of long outstanding dormant debts amounting Kshs. 17,059,125.
3. The debt management policy provided lacks guidance on the criteria for the provision of bad and doubtful debts.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor through the Accounting Officer should ensure that Gatamathi 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.

#### **4. Long Outstanding Trade and Other Payables**

The statement of financial position reflects Kshs. 74,426,556 in respect of trade and other payable as disclosed in Note 18 to the financial statements. However, the balance includes an amount of Kshs. 32,003,419 which has been outstanding for three (3) years.

#### **Management Response**

Management acknowledges the finding regarding high levels of Trade and Other Payables. The company has been operating on a non-cost recovery tariff which was not able to fully recover its Operation and Maintenance costs which has led to high burden on settlement of overdue accounts. We have a new tariff in place and with increased revenues we are implementing a gradual reduction in these debts. For the period the new tariff has been implemented we have been able to clear an amount of Kshs. 4,260,266 of the debt. This will be accelerated as improvement in revenues.

#### **Committee Observations**

The Committee observed that out of the payables of Kshs. 74,426,556, Kshs. 32,003,419 has been outstanding for three years and the Company has managed to pay Kshs. 4,260,266 through the implementation of a new tariff.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle;**
- ii. the Governor 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.**

#### **5. Unaccounted for Refundable Customer Deposits**

The statement of financial position reflects Kshs. 13,012,840 in respect of refundable customer deposit as disclosed in Note 18b to the financial statements. However, the deposit bank account statements reflect Kshs. 3,016,393 resulting to unsupported and unaccounted refundable customer deposit balance of Kshs. 9,996,447.

#### **Management Response**

The management acknowledges that the customer deposits funds were utilized to funds operations over years. As at the time of compiling the financial statements an amount

of 9.9 million was outstanding and treated as a liability in the financial statements. This is an improvement from Kshs. 12 million outstanding during the 2023/2024 financial year. The savings account bank balance has a balance of Kshs. 4,286,203 as at January 2026. To ensure the funds are fully reimbursed the company has developed a policy and placed a monthly standing order where Kshs. 150,000 is being transferred to the customers' deposit account until the whole amount is recovered. This is in addition to banking intact all the current deposit funds received without further borrowing from the kitty as guided by the County Customer Deposit Management Policy.

#### **Committee Observations**

The Committee observed that the Company as at January 2026 has grown the deposit bank account to Kshs. 4,286,203 as per the provided extract of bank statement, and has put in place a monthly standing order of Kshs. 150,000 to recover the borrowed amount.

#### **Committee Recommendations**

**The Committee recommends that-**

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

#### **6. Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a loss of Kshs. 5,742,707 and prior year loss of Kshs. 4,582,567. Further, the current liabilities of Kshs. 88,143,656 exceeded the current assets of Kshs. 62,276,745 resulting to a negative

working capital of Kshs. 25,866,911. The negative liquidity position is an indication of the existence of material uncertainty on the company's ability to continue as a going concern which the management has not disclosed.

### **Management Response**

The Company has been operating a non-cost recovery Tariff since year 2010 leading to accumulation of liabilities. A new cost recovery Tariff has been approved by the WASREB and is operational in the Current financial year. The Company plan to gradually settle the current liabilities to manageable levels.

We have assessed the going concern of the company and established the company has the ability to continue in operations for at least 12 months from the date of the financial statement approval. The management has laid down the following mitigation plans to address the going concern issues

- a. Robust expansion of customer base- With the new tariff the management plans to increase coverage area to underserved areas. This will lead to a corresponding increase in customer base also leading to increased revenue that will aid in debt reduction.
- b. The new upward approved tariff has a positive impact on revenue and as such will provide a basis for expansions of services as well as payment of outstanding debts.
- c. Continuous metering of flat rate connections- we have assessed our situations and observed that a lot of revenue is being lost through flat rate connections where customers share a connection with neighboring metered and dormant connections which will be solved through 100% metering.
- d. Expenditure commitment by maintaining of the Operation and Maintenance current cost structure as revenue increases.
- e. We pride in collaboration and support with the County Government which has assisted the company through Ward Development Funds in expanding coverage and increasing the new connections.

### **Committee Observations**

The Committee observed that-

1. The water company operated with a negative working capital of Kshs. 25,866,911 during the financial year under review, casting doubt on the company's ability to meet its obligations as and when they fall due
2. The company has provided mitigation plan to address the negative working capital however, no tangible evidence of improved liquidity has been provided

### **Committee Recommendations**

The Committee recommends that-

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

#### **Other Matters**

##### **1. Unresolved Prior Year Audit Matter**

In the prior year's audit reports, several issues were raised under the report on the financial statements, lawfulness and effectiveness in use of public resources and effectiveness of internal controls, risk management and governance, respectively. Review of the status during audit of the company 2024/25 revealed that the following matters remain unresolved.

| NO | Financial Year | Audit Issue   |
|----|----------------|---|
| 1  | 2023/2024      | Unmetered connections                               |
| 2  | 2023/2024      | Trade and other receivables balance                 |
| 3  | 2023/2024      | Long Outstanding payables                           |
| 4  | 2023/2024      | Unaccounted for refundable deposits and prepayments |

|    |           |   |
|----|-----------|---|
| 5  | 2023/2024 | Going concern of the company                                    |
| 6  | 2023/2024 | Non remittance of statutory duties                              |
| 7  | 2023/2024 | Non remittance of water service levy                            |
| 8  | 2023/2024 | Exceeding industrial benchmark on personnel expenses            |
| 9  | 2023/2024 | Non-Compliance with law on staff ethnic diversity               |
| 10 | 2023/2024 | Non-Compliance with the principles of equal opportunity for all |
| 11 | 2023/2024 | Non-Revenue Water (NRW)   |

### **Management Response**

Management acknowledges that there have been slow implementation and resolving of prior year audit matters. This is despite a reported tremendous progress in some of the highlighted audit issues. A cash float constraint has adversely affected the quick response to some of the audit findings which requires funds and since we have in place a new cost recovery tariff, the management will fully comply with the recommendations. Management attached have and a detailed report for each of the specific findings with the status of implementation.

### **Committee Observations**

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

### **Committee Recommendations**

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 Submit Quarterly Report and Financial Statements**

The Company has to date not submitted quarterly report and financial statement for the period ended 30 September, 2024, 31 December, 2024 and 31 March, 2025 and 30 June, 2025 to the Auditor General contrary to Section 166 of the Public Finance Management Act, 2012.

#### **Management Response**

They agreed with the observation on the non-submission of quarterly financial statements for the year under audit review. This has been rectified and the reports for the first two quarters of the current financial years have been prepared.

#### **Committee Observations**

The Committee observed that the management failed to provide for audit review, documentation showing quarterly financial statements.

#### **Committee Recommendations**

**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.**

### **2. High Non-Revenue Water**

During the financial year under review, the Company produced 3,209,00 cubic meters (M<sup>3</sup>) of water and 1,510,385 (M<sup>3</sup>) was billed to customers. The balance of 1,698,615.00 cubic meters (M<sup>3</sup>) water which is fifty-three (53%) percent represented Non-Revenue Water. The unaccounted water percentage of 53% is 28% above the allowable loss of 25% by the Water Service Regulatory Board (WASREB) guidelines. The high level of Non-Revenue Water may have contributed negatively on the profitability of the company.

#### **Management Response**

The company notes a high level of Non-Revenue Water of 28% above the Water Services Regulatory Board guidelines of 25%. In the previous financial year 2023-2024, NRW % was above 34% showing an improvement of 6%. This had a negative impact on Company's revenue. This was mainly attributed to flat rate connections, aging

infrastructure, faulty meters, illegal reconnections/connections and leakages along the distribution network.

#### Measures Taken by the Management to Address NRW

1. Flat rate connections; Much of our water is lost through flat rate connections. As 30<sup>th</sup> June 2024, the company had 4,400 flat rate connections but by 30<sup>th</sup> June, 2025 flat rate connections were 3,386. During the reviewed period we installed 2,284 meters (both to new connections, reconnections and replacement of faulty meters).  
To address this issue of flat rate, the Company has put in place a policy whereby newly installed connections MUST be metered. As per the license conditions the company plans to be 85% by the end of 2026 and 100% metered by the year 2027. Also, for the period July 2025 to December 2025 the company has procured and installed 550 customer meters. Another batch of 1,000 meters has been ordered awaiting delivery and installation.
2. Distribution and Service lines Rehabilitations: There is ongoing replacement of old Upvc pipelines with HDPE pipes mostly to zones which are prone to leakages due to high pressure.
3. Establishment of District Metering Areas (DMA). This involves isolating a certain area as a pilot, ensuring all customers are metered and functional. Zonal meter will be installed and readings are taken and analyzed on daily basis. PRVs will also be installed for controlling pressure. Once this is successful it will be rolled to other areas. This will assist in monitoring consumption patterns and identify areas of high-water loss.
4. Customers Sensitization: Engagement with community and educating them on the need to report leaks/bursts; illegal connections/reconnections through an established call free line 0718462695 and encourage responsible water use to curb wastage.
5. Recruitment of NRW Officer. The Company is in the process of recruiting this officer after the approval by the Board. Thereafter the Company will constitute a non-revenue team which will be handling all issues related to water loss including preventive measures.
6. Staff capacity Building; The Company periodically organizes in-housing training for technical staffs.
7. The company has been getting support from the County Government on metering and last mile connectivity through ward development fund.

#### Committee Observations

The Committee observed that the Non-Revenue Water was at 53% which was way above the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines.

## **Committee Recommendations**

**The Committee recommends that-**

- i. the Accounting Officer should put in place comprehensive measures to mitigate the Non-Revenue Water, that is, both physical and commercial losses. The measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages, among other measures. 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;**
- iii. the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put in place to reduce cases of theft and illegal connections; and**
- iv. The EACC investigates the high Non-Revenue Water (NRW) levels to determine whether it was as a result of systemic commercial theft, illegal connections, collusion between staff and unauthorized water users or any other administrative lapses, and provide status update on the matter to the Senate within 90 days of the adoption of this report.**

### **3. Unmetered Connections**

Review of Company records revealed that the Company had a total of 12,339 active connections. A further analysis of active connections revealed that a total of eight thousand, nine hundred fifty-three (8,953) connections were metered and three thousand, three hundred eighty-six (3,386) were unmetered translating to twenty-seven percent (27%) of the total connection in breach of part 14.3(a) of WASREB License on the conditions of the license which requires all connections to be metered.

### **Management Response**

By June end 2025, the Company had 12,339 active connections out of which 8,953 no. were metered and the remaining balance of 3,386 were unmetered. Metering is capital intensive but through internally generated revenue and assistance from the County Government and Athi Water Works Development Agency, the Company managed to install 2,284 meters. In this financial year 2025-2026, the management have budgeted to procure and install 3,000 meters from the internal revenue and grants from County

Government and Athi Water Works Development Agency. So far between July 2025 and December 2025 the company has procured and installed 550 customer meters from internally generated funds. Another batch of 1,000 meters has been ordered awaiting delivery and installation.

To address this issue of flat rate, the Company has put in place a policy whereby newly installed connections MUST be metered. As guided in the tariff conditions for the period we have a plan to be above 85% metering ratio by June 2026 and 100% Metering ratio by end of June 2027.

### **Committee Observations**

The Committee observed that-

1. The Company is in clear breach of 14.3(a) of the WASREB license which mandates that all connections be metered. During that audit period 27% of the connections remained unmetered and that indicates a material failure to adhere to a core regulatory requirement.
2. the Company has put in place a policy whereby newly installed connections MUST be metered.
3. Management has provided a plan and reported progress on addressing the issue of unmetered connections however, the issue is not fully addressed.

### **Committee Recommendations**

**The Committee recommends that Management should ensure all connections are metered to avoid revenue loss through flat rate charges and comply with WASREB License. The Auditor-General to review the implementation of the measures put in place to mitigate the unmetered connections and provide a status update on the matter in the subsequent audit cycle.**

#### **4. Non-Compliance with Industrial Benchmark on Personnel Expenses**

The statement of profit and loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects Kshs. 47,562,044 in respect to staff costs. The staff costs constituted fifty-five percent (55%) of the total operational and maintenance costs of Kshs. 86,613,529 of the Company during the year under review contrary to section 3.9 (9) of WASREB corporate Governance Guidelines that provides that the staff costs should not exceed 35% of the total revenue as per the Company's size.

### **Management Response**

The management acknowledges high wage bill which has yet to meet the minimum requirements as per the set industrial benchmark. This has been a challenge since the company status changed from medium to large utility. With increased coverage and extension of services to underserved areas, casuals were engaged to lay distribution pipes that were mostly for last mile connectivity programme.

As per the license conditions the company negotiated with WASREB on performance improvement plan for 5 years, the management was to ensure personnel expenditure improves from 62% in 2024 to 43% in 2028. This has been captured as one of the company's strategic objectives where the management has embarked on an expansion mission which will assist in increasing on coverage as well as new connections that will eventually yield more billing.

### **Committee Observations**

The Committee observed that the company's personnel costs represented 55% of the company's annual expenditure, exceeding the 35% ratio recommended by Water Services Regulatory Board (WASREB).

### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and
- ii. the Company ensures progressive compliance to section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.

### **5. Non-Compliance with the Public Procurement Capacity Building Levy Order**

During the year under review, the company procured and paid for various goods and services. However, management did not deduct and remit public procurement capacity building levy at the rate of 0.03% of the contract sums before paying the suppliers contrary to section 3(1) of the Levy Order, 2023.

### **Management Response**

The company is in the process of registering with Public Procurement Regulatory Authority (PPRA) to enable the management to be submitting the procurement levy at the point of payment.

### **Committee Observations**

The Committee observed that management was in the process of registering with the Public Procurement Regulatory Authority (PPRA) to enable them to submit the procurement levy of 0.03% at the point of payment.

### **Committee Recommendations**

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

**6. Non-Compliance With National Cohesion and Integrity Act on Ethnicity**

Review of the personnel records maintained by the Company revealed that the Company had sixty (60) employees on permanent and pensionable, three (3) on contract and one (1) intern all from dominant ethnic group representing 100% of total employees from a single ethnic group contrary to section 7(2) of the Cohesion and Integration Act, 2008.

**Management Response**

Management acknowledges the findings of non-compliance with Section 7 of the National Cohesion and Integration Act, 2008.

The current staff composition is largely a result of the historical recruitment during inception of the company. This engaged workforce was predominantly from the local ethnic community, reflecting the regional demographics of the areas at the point of transition.

Consequently, it has presented a significant challenge to achieve immediate ethnic diversity, as the company is constrained by the terms of employment for the permanent and pensionable staff it absorbed.

Notwithstanding this historical challenge, management is committed to achieving compliance. The following measures are being and will be implemented to ensure future recruitment reflects the diversity of the people of Kenya:

1. Policy Development: We are developing a comprehensive Diversity and Inclusion Policy that will embed the principles of the National Cohesion and Integration Act into our human resource manuals.
2. Staff Recruitment: all vacancies, especially for new positions and replacements of staff, are being advertised nationally, through diverse channels to attract a broad pool of applicants.
3. Structured Process: We will ensure our recruitment panels are diverse and that the hiring process is structured to provide equal opportunity for all qualified candidates, in line with constitutional values.
4. Gradual Transition: we will utilize the natural attrition of staff (recruitments, resignations) as a strategic opportunity to progressively rebalance our workforce composition in compliance with the law.

Further, Management recognizes its responsibility and will be taking proactive steps to correct this inherited imbalance over a realistic and structured period.

### **Committee Observations**

The Committee observed that the query remains unresolved as 100% of the total employees, comprised of staff from one dominant ethnic community, thus there was no ethnic diversity among the company employees.

### **Committee Recommendations**

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 endeavour 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 the employment of staff.

## **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 Risk Management Policy**

Review of Company records and inquiry from management revealed that Management had not prepared and adopted a Risk management policy useful for providing a framework to identify, assess, and mitigate potential threats, thereby safeguarding assets, employees, and reputation. In the absence of the policy, the Company may not be responsive against potential losses or threats to its continued operation.

### **Management Response**

The company acknowledges the need to have in place risk management policy that will aid in providing a framework to identify, assess and mitigate potential threats. The draft risk management policy document has been developed and will be presented to the board for approval and adoption.

### **Committee Observations**

The Committee observed that the water company operated without a risk management policy in place during the financial year under review.

### **Committee Recommendations**

**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 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 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.**

## 1.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR GATANGA WATER AND SANITATION PLC FOR THE FINANCIAL YEAR 2024/2025

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Gatanga Water and Sanitation PLC for the Financial Year 2024/2025. The following officers accompanied the Governor—

- |                        |                     |
|------------------------|---------------------|
| 1. Prof. Kiarie Mwaura | - CECM Finance      |
| 2. Benard Kiplagat     | - Technical Manager |

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Murang'a South Water and Sanitation PLC for the financial year on the following basis—

#### 1. Inaccuracies in the Presentation, Disclosures and Balances in the Financial Statements

The financial statement on the paragraph in respect of content of the board of directors and key management team omits company secretary details which includes; passport-size photo, name and Indication of whether the secretary is a member of ICS (Institute of Certified Secretaries), contrary to the financial reporting requirement as prescribed by Public Sector Accounting Standard Board.

The financial statement in Note 37 in respect of the statement of cash flow reflects Kshs. (14,280,750) and Kshs. 9,711,335 for cash generated from operating activities for the current year (2024/25) and prior year (2023/2024), respectively. However, the statement of cash flow reflects net cash flow from operating activities of Kshs. (254,241) and Kshs. 2,771,827 for the current year (2024/25) and prior year (2023/2024) respectively.

The statement of comparison of budget and actual amount reflects Kshs.2,600,000 as adjustment of budgeted receipts however, budget carryovers from the previous year relating to opening balance of cash and cash equivalents has not been disclosed in the statement.

The statement of comparison of budget and actual amounts was not supported by budget reconciliation between the actual amount of surplus (deficit) reflected in the statement of budget and actual amount and closing balance of Kshs.2,289,743 for cash and cash equivalent

## **Management Response**

- i. The Company has taken measures to obtain the Company Secretary details for statutory compliance.
- ii. The prior year statement of cashflow had been done using indirect method, as such, the management has realigned the cashflow items leading to revision of the statement of cashflow as required.
- iii. The management has taken note and disclosed the budget carryover in the statement of comparison of budget.
- iv. The management has noted this issue, and the budget reconciliation has been effected.

## **Committee Observations**

The Committee observed that-

1. Budget carryovers from the previous year relating to the opening balance of cash and cash equivalents has not been disclosed in the statement.
2. The financial statements omit secretary details contrary to the financial reporting requirement as prescribed by the Public Sector Accounting Standard Board.

## **Committee Recommendations**

The Committee recommends that—

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in line with their terms and conditions of appointment or employment, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- ii. **the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;**
- iii. **the National Treasury should enhance awareness and training on changes made to the accounting standards to all public officers handling financial matters in Counties;**
- iv. **the 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;**

- v. **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**
- vi. **the Accounting Officer ensures that prior year adjustments are carried out in the company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

## **2. Unsupported Trade and Other Receivables**

The statement of financial position and as disclosed in Note 23 to the financial statements reflects gross trade and other receivables balance of Kshs. 66,983,855. The Note includes provision of bad and doubtful debts of Kshs. 6,698,386 and net trade and other receivables of Kshs. 60,312,470. However, the provisions were not supported by approved policy for the provision for bad and doubtful debts. Further, the balance includes debts amounting to Kshs. 48,490,141 which have been outstanding for over one hundred and twenty days (120) days. In addition, the Company had not established a Debt Management Policy and no effort appears to have been made to recover the long outstanding account receivables.

### **Management Response**

The Company has a debt management policy and Finance Manual that has incorporated the rate of provision for bad and doubtful debts. The management to recover long outstanding debts has taken the following measures:

- Established a revenue collection unit.
- Has part payment agreements with the defaulters.

### **Committee Observations**

The Committee observed that-

1. The company has debts amounting to Kshs. 48,490,141 which have been outstanding for over 120 days.
2. No evidence of collection of long outstanding receivables has been provided by management.

3. Management has provided Debt Management Policy which reflect guidelines on provision for bad and doubtful debts.

#### **Committee Recommendations**

- i. the Governor through the Accounting Officer should ensure that Gatanga 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 the Accounting Officer, within 60 days of the adoption of this report, submits 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 to the Committee on the matter in the subsequent audit cycle; and
- v. the Governor ensures the Accounting Officer undertakes a detailed analysis of its long outstanding trade receivables and, with the Board's approval, writes off the irrecoverable debts in line with Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.

#### **3. Unsupported Bank and Cash Balances**

The statement of financial position and as disclosed in Note 27 to the financial statements reflects bank and cash balance of Kshs. 2,289,743. The balance includes Kshs. 558,314 in respect of mobile money account. However, documentary evidence in form of M-pesa statements were not provided for audit verification. In addition, the balance includes cash at hand of Kshs. 19,944. However, documentary evidence in form of board of survey certificate were not provided for audit verification.

#### **Management Response**

The management has acknowledged the matter on board survey certificate. Further, the M-pesa statements have been attached for verification.

#### **Committee Observations**

The Committee observed that-

1. Management has provided M-pesa statement which reflect the closing balance of Kshs. 469,300 which differs with the balance of Kshs.558,314 reflected in the audited financial statement.
2. Board of survey certificate was not provided for audit verification.

#### **Committee Recommendations**

**The Committee recommends 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.**

#### **4. Lack of Valuation of Assets**

The statement of financial position reflects net book value of Kshs. 28,711,043 in respect of property, plant and equipment as disclosed in Note 19 to the financial statement. Further, the Note includes fully depreciated assets in use which include buildings and motor vehicles including motor cycles which have not been valued and the Company is deriving economic benefits from the usage.

#### **Management Response**

The management has taken note of the matter and at the close of the financial year, the valuation of assets had not been completed due to financial constraints. In the financial year 2025/2026, the company has an approved supplementary budget that has provided for asset valuation cost.

#### **Committee Observations**

The Committee observed that management did not undertake valuation of assets sighting financial constraints.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures that the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- ii. **the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**
- iii. **upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**

- iv. **the 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.**

#### **5. Long Outstanding Trade and Other Payables**

The statement of financial position and as disclosed in Note 34 to the financial statements reflects Kshs. 37,269,507 in respect to trade and other payables. Audit review of the payables revealed that trade payables amounting to Kshs. 4,615,483 had been outstanding for more than three (3) years. Further retirement obligations including pension and gratuity amounting to Kshs.930,000 for pension and Kshs. 2,737,151 for gratuity has been outstanding for more than two (2) years.

Failure of the Company to pay debts as and when they fall due may be an indication of the Company's inability to settle financial obligation. In addition, the Company may incur penalties and litigation for unpaid retirement benefits.

#### **Management Response**

The company had been operating with an old tariff that was non-cost-recovery.

The Company acquired a new tariff therefore has provided for payment of some creditors in the approved supplementary budget. This will ensure the outstanding amounts are cleared progressively.

#### **Committee Observations**

The Committee observed that-

1. The Company has trade payables amounting to Kshs. 4,615,483 that had been outstanding for more than three years.
2. Retirement obligations including pension and gratuity amounting to Kshs. 930,000 for pension and Kshs. 2,737,151 for gratuity has been outstanding for more than two years.

#### **Committee Recommendations**

The Committee recommends that-

- i. **the Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**

- ii. **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; and**
- iii. **within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

#### **6. Unsupported Refundable Deposits and Prepayments**

The statement of financial position reflects Kshs. 16,463,771 in respect of refundable deposits and prepayments as disclosed in Note 35 to the financial statements. The balance includes Kshs. 15,656,021 in respect to customer deposit. However, the deposit account statement reflects Kshs. 649,446 resulting to unsupported and unaccounted refundable deposit balance of Kshs. 15,006,575.

#### **Management Response**

The company is committed to replenishing the customer deposits. The repayment is progressively being made in the FY 2025/2026 and the bank account is building up the amount.

#### **Committee Observations**

The Committee observed that Management has provided bank statement showing balance of Kshs. 1,247,5276 in the customer deposits account as at 31 December 2025, leaving unaccounted balance of Kshs. 14,408,494

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Accounting Officer should, within 60 days of the adoption of this report, submit to the Senate and the Auditor-General status of implementation of the repayment plan with clear timelines for the repayment of the customer deposits;**
- ii. **the Governor should ensure that the Accounting Officer provides a certified bank statement for the designated customer deposit account and a comprehensive individual customer deposit register within 60 days of the adoption of this report to the Senate and a copy to the Auditor-General. The Auditor-General to provide a 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.**

#### **7. Unsupported Deferred Income**

The statement of financial position and as disclosed in Note 36 to the financial statements reflect deferred income of Kshs. 13,707,535 which was not supported by analysis and documentary evidence.

#### **Management Response**

The deferred income relates to the Kihumbuini UPC Project that started in the year 2022.

#### **Committee Observations**

The Committee observed that-

1. Management did not provide the analysis and documents supporting deferred income of Kshs. 13,707,535 at the time of audit.
2. Bank statement reflect total cash inflow of Kshs. 17,772,650

#### **Committee Recommendations**

**The Committee recommends 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.**

#### **8. Material Uncertainty related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a loss of Kshs. 2,598,801 and a prior year loss of Kshs. 8,908,184. Further, the current liabilities of Kshs. 88,393,990 exceed the current assets of Kshs. 71,315,563 resulting to a negative working capital of Kshs. 17,078,427. The negative liquidity position is an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern which management has not disclosed.

## **Management Response**

The Company has been operating a non-cost recovery tariff. To address the issue of going concern, the management has:

- a) Implemented a new tariff in the FY 2025/2026 and has provided for payment of some creditors in the supplementary budget.
- b) Initiated the process of valuation of assets through provision of the valuation costs in the supplementary budget and consultation with the County Public Works.

These are expected to progressively mitigate negative working capital.

## **Committee Observations**

The Committee observed that the current liabilities of Kshs. 88,393,990 exceed the current assets of Kshs. 71,315,563 resulting to a negative working capital of Kshs. 17,078,427, casting doubt on the company's ability to meet its obligations as and when they fall due

## **Committee Recommendations**

The Committee recommends that-

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

**the management reviews and regularizes the company's existing assets and have updated assets register that reflect the current financial position. Further, management to determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

## **Other Matter**

### **1. Unresolved Prior Year Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Company in 2024/25 revealed that the following matters remained unresolved.

### **Management Response**

- i. **Unsupported Deferred Income:** The deferred income relates to the UPC Project that started in the year 2022.
- ii. **Unaccounted for Refundable Deposits and Prepayments:** Repayment of refundable deposit is in progress, and the account is building up.
- iii. **Undisclosed Bank Accounts:** The Equity bank account had a nil balance as of 30th June 2025. The account was used for the UPC Project that was completed by October 2024.
- iv. **Going Concern of the Entity:** The company has been operating a non-cost recovery tariff. To address the issue of going concern, the management has:
  - a) Implemented a new tariff in FY 2025/2026 and has provided for payment of some creditors in the supplementary budget.
  - b) Initiated the process of valuation of assets through provision of the valuation costs in the supplementary budget and consultation with the County Public Works.

These are expected to progressively mitigate negative working capital

- v. **Non-Revenue Water:** The management is taking active measures to reduce the water losses in the system; including investment in Master meters, pipeline rehabilitation, metering of flat rate connections, and replacement of aged meters.

The company has an established NRW management unit which focuses on implementation of measures to determine and manage causes and effects of NRW.

During the period, the NRW trend was downwards from 42% in FY 2023/2024 to 35% in FY 2024/25 indicating the company's commitment to tackle NRW. However, the exercise is slow due to financial constraints, but we note the effort of other players are coming in to support the company's effort to reduce NRW.

- vi. **Excessive Expenditure on Staff Costs:** The company operated a non-cost recovery tariff during the year under review, reflecting negatively on the financial viability.

However, in the current year, the company is operating a new cost reflective tariff that has been approved and gazetted. The personnel expenditure as a percentage of total revenue in FY 2023/2024 was 64% while in FY 2024/25 was 51%, indicating the company's commitment to align with the benchmark threshold.

- vii. **Non-Compliance with Law on Ethnic Composition:** The company is an Equal Opportunity Employer and does not discriminate against race, gender, age or disability. Progressively, the company will work towards compliance with the provision of the law.

### **Committee Observations**

The Committee observed that the water company had unresolved prior year matters demonstrating the management's lack of action to implement corrective measures.

### **Committee Recommendations**

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 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-Revenue Water Above Threshold**

Available information provided for audit indicate that the Company during the year under review produced one million nine hundred eighty-four thousand, nine hundred and fifty-two (1,984,952) cubic meters of water. Out of which one million two hundred

ninety-nine thousand two hundred eighty-nine (1,299,289) cubic meters representing sixty-five (65) percent were billed for Kshs.74,025,483 leaving a balance of six hundred eighty-five thousand six hundred sixty-three (685,663) cubic meters representing thirty-five (35) percent as non-revenue water valued at Kshs.39,064,853. The Unaccounted Water percentage of 35% is 10% above the allowable loss of 25% by the Water Service Regulatory Board (WASREB) guidelines.

Further, no meters were installed at the inlet and outlet point of the water reservoir as a result the estimated sales of 1,299,289 cubic meters could not be confirmed.

### **Management Response**

The management is taking active measures to reduce the water losses in the system, including investment in Master meters, pipeline rehabilitation, metering of flat rate connections, and replacement of aged meters.

The company has an established NRW management unit which focuses on implementation of measures to determine and manage causes and effects of NRW.

During the period, the NRW trend was downwards from 42% in FY 2023/2024 to 35% in FY 2024/25 indicating the company's commitment to tackle NRW. However, the exercise is slow due to financial constraints, but we note the effort of other players are coming in to support the company's effort to reduce NRW.

### **Committee Observations**

The Committee observed that the Unaccounted Water percentage of 35%, which was valued at Kshs. 39,064,853, is 10% above the allowable loss of 25% by the Water Service Regulatory Board (WASREB) guidelines.

### **Committee Recommendations**

**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 measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages among other measures. 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 County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**

## **2. Unmetered and Dormant Customers**

Review of Company records revealed that the Company had a total of fifteen thousand eight hundred sixty-four (15,864) clients out of which nine thousand four hundred and thirty (9,430) were metered, one thousand six-hundred and ninety-nine (1,699) did not have meters and four thousand eight hundred seven (4,807) were dormant. It was also noted that all the clients who were unmetered they were issued with estimated meter readings, as a result the figure of operating revenue cannot be confirmed. In addition, the Company is in breach of part 14.3 (a) of WASREB License on the conditions of the license.

### **Management Response**

The management has progressively been metering unmetered accounts. The metering ratio increased from 92% as at June 2024 to 94% as at June 2025. Further, it's the Company's practice that any unmetered dormant account is installed with a meter during reconnection or activation.

### **Committee Observations**

The Committee observed that Management has provided measures undertaken to address the issue of unmetered connections; however, not every user has been metered.

### **Committee Recommendations**

**The Committee recommends that Management should ensure that all connections are metered to avoid revenue loss through flat rate charges and comply with WASREB License. The Auditor-General to review the implementation of the measures put in place to mitigate the unmetered connections and provide a status update on the matter in the subsequent audit cycle.**

## **3. Non-Compliance of the National Cohesion and Integration Act on Ethnicity**

Review of the personnel records maintained by the Company revealed that the Company has eighty- six (86) staff members out of which seventy- seven (77) or 91% of the staff members are from the dominant ethnic community. This is contrary to section 7(2) of the National Cohesion and Integration Act, 2008.

Further, the Company did not allocate 5% of employment opportunities to persons with disability contrary to Section 21 of Persons with Disability Act, 2025.

### **Management Response**

The company is an Equal Opportunity Employer and does not discriminate against race, gender, age or disability. Progressively, the company will work towards compliance with the provision of the law.

#### **Committee Observations**

The Committee observed that 91% of staff are members of the dominant ethnic community and that persons with disability were not allocated 5% of employment as required by law.

#### **Committee Recommendations**

**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 21 of Persons with Disability Act, 2025, 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.**

#### **4. Non-Compliance with the Data Protection Act**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect of Kshs. 39,240,443 in respect to staff costs which further includes Kshs. 1,655,849 as employer's contribution to pension scheme remitted to County Pension Fund and Local Authority Pension Trust. However, Management did not provide a written contract for data processing with the two pension funds as required by section 42 of the Data Protection Act, 2019.

#### **Management Response**

The company has initiated the process of acquiring a written contract with County Pension Fund and Local Authority Pension Trust to ensure compliance with Data Protection Act.

#### **Committee Observations**

The Committee observed that management had not complied with section 42 of the Data Protection Act, 2019, by not providing a written contract for data processing.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Board and the accounting officer to make deliberate efforts to comply with section 42 of the Data Protection Act, 2019 and fast track the process of acquiring a written contract with County Pension Fund and Local Authority Pension Trust;**
- ii. **within 60 days of the adoption of this report, the board to submit the progress to the Senate and a copy to the Auditor-General for verification.**

#### **5. Non-Compliance with Fiscal Responsibilities Principles**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs. 39,240,443 in respect to staff costs. The staff costs constituted fifty-one percent (51%) of the total revenue of Kshs. 77,040,193 of the Company for the year under review. This is contrary to Section 3.9 (9) of WASREB corporate Governance Guidelines that provides that the staff costs should not exceed 35% of the total revenue as per the Company's size.

#### **Management Response**

The company operated a non-cost recovery tariff during the year under review, reflecting negatively on the financial viability.

However, in the current year, the company is operating a new tariff that has been approved and gazetted.

The personnel expenditure as a percentage of total revenue in FY 2023/2024 was 64% while in FY 2024/25 was 51%, indicating the company's commitment to align with the benchmark threshold.

#### **Committee Observations**

The Committee observed that the company's personnel costs represented 51% of the company's annual expenditure, exceeding the 35% ratio recommended by Water Services Regulatory Board (WASREB).

#### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and**
- ii. **the Company ensures progressive compliance with the provisions of section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.**

## **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 the conclusion that internal controls, risk management and overall governance were not effective –

### **1. Ineffective Management of Assets**

#### **i. Lack of Updated Fixed Assets Register**

The Company failed to maintain an updated fixed assets register. The fixed assets register provided for audit review revealed that critical information such as acquisition cost, tag number, date of acquisition, condition of assets, serial numbers, depreciation charged and net book values as at the end of period were missing while some of the assets were not recorded in the assets register.

#### **ii. Untagged Assets**

According to the fixed assets register and physical verification of the assets revealed that the Company had assets that were not tagged to show they belonged to the Company.

#### **iii. Failure to Dispose of Unserviceable Assets**

Audit review of the assets register and physical verification revealed that some assets including two motorcycles and an internet mast were non-operational and were unserviceable. However, Management did not provide the annual disposal plan for the asset for audit review.

### **Management Response**

- i. The Company has a fixed assets listing. The management has initiated tagging of the assets for a comprehensive asset register. The management is working to update the asset register and commits to comply by end of the FY 2025/2026.
- ii. Management has initiated the process of tagging the assets for compliance with the matter.
- iii. The company is working on valuation of assets to facilitate the process of disposal of unserviceable assets. The Management has presented a supplementary budget to the board that includes the cost of valuation.

### **Committee Observations**

The Committee observed that the management has provided a fixed assets register and is in the process of tagging the assets and valuation to dispose the unserviceable assets.

### **Committee Observations**

The Committee observed that-

- i. the Governor ensures that the management of the water company conducts the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- ii. the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;**
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification;**
- iv. the Governor ensures that the accounting officer prepares and submits a comprehensive annual disposal plan for all unserviceable, obsolete and surplus assets to the Auditor-General within sixty days of the adoption of this report; and**
- v. the Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

### 1.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KAHUTI (MURANG'A WEST) WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kahuti (Murang'a West) Water and Sanitation Company Limited for the Financial Year 2024/2025. The following officers accompanied the Governor—

1. Prof. Kiarie Mwaura - CECM Finance
2. CPA Loice Ndung'u - Commercial Manager

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Kahuti (Murang'a West) Water and Sanitation Company Limited for the financial year on the following basis—

##### 1. Long Outstanding Receivables

The statement of financial position reflects trade receivables of Kshs. 55,681,888 as disclosed in Note 19 to the financial statements. However, Note 19 (b) reflects an amount of Kshs. 42,341,784 which has been outstanding for over 120 days.

##### Management Response

The company has established a debt control office with the intention of reducing the cumulative debts over the years. We have commenced the process of aging of debtors with an ultimate goal to do a specific provision of debtors and also to further escalate to the recommendation of debtors write off. Some of these debtors were inherited from the National Water and Pipeline Company when they were handing over to companies. We are in the process of identifying their existence on the ground so that appropriate recommendations can be done.

The company also encourages part payment for those customers with high arrears so as to continue getting services as they pay their monthly bill and little on their debts. We are also following up with other county institutions i.e. Hospitals which are the main debtors. Most of them have entered into part payment agreement.

##### Committee Observations

The Committee observed that-

1. The Company has an amount of Kshs. 42,341,784 which has been outstanding for over 120 days.

2. Demand notices to hospitals who are the main debtors not provided for verification and the respective signed part payment agreement.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Governor through the Accounting Officer should ensure that Murang'a West Water 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 the Accounting Officer should 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. Long Outstanding Trade and other Payables**

The audit revealed that payments amounting to Kshs. 16,667,444 remained outstanding for over a year.

### **Management Response**

The management has ensured it pays suppliers of goods and services as and when they fall due. Currently, the company do not have creditors for more than 60 days for the day-to-day suppliers. The main payables are for the levies and internal borrowings the management has an agreed payment plan as follows and this can be ascertained from our financial statements and the specific ledgers.

- For Tana Water Works Development Agency, we pay Kshs. 100,000 per month
- For WASREB we pay Kshs. 100,000 in addition to the monthly levy
- For WARMA we pay Kshs. 60,000 per month
- For Internal borrowings we pay Kshs. 100,000 per month

#### **Committee Observations**

The Committee observed that management presented current payables ledger and agreed payment plans for verification thus resolving the matter.

#### **Committee Recommendations**

**Noting the mitigation measures taken, the Committee recommends that the query be marked as resolved.**

### **3. Lack of Ownership Documents**

#### **Management Response**

The parcels of land sits on the county government land and were inherited from the Tana Water Works Development Agency, however, ownership documents were not provided to the company and the management has been following up to ensure that the title deeds are availed to us. The only document provided was the deed of handover of all the assets through the service provision agreement between Tana Water Works Development Agency.

#### **Motor Vehicle**

One of the vehicles i.e., KAP 756A was handed over to the company during the inception of the company. The management has made several attempts to get the logbook which has not been forthcoming but still making follow up. This vehicle was handed to the company through the service provision agreement.

#### **Committee Observations**

The committee observed that-

1. while the parcels of land were inherited from the Tana Water Works Development Agency (TWWDA), the company is currently operating without official ownership documents. The management has only provided a deed of handover within the Service Provision Agreement, but the absence of actual title deeds poses a significant legal and financial risk to the company regarding asset ownership and security.

2. the management has failed to secure the logbook despite several attempts. The lack of a logbook impedes the company's ability to prove ownership, dispose of the asset if necessary, or effectively insure and manage the vehicle.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters water, engages with the Tana Water Works Development Agency and the IGRTC to 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 that the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification 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 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.**

### **Other Matter**

#### **1. Failure to Resolve Prior Year Audit Matters**

In the prior year's audit reports, several issues were raised under Report on Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance that are yet to be addressed.

### **Management Response**

Several issues had not been resolved as at 30<sup>th</sup> June 2025. Some of the issues have been resolved and the others which are still pending we are still following up

### **Committee Observations**

The Committee observed that the water company had unresolved prior year matters, demonstrating the management's lack of action to implement corrective measures.

### **Committee Recommendations**

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. Lack of Staff Ethnic Diversity**

Review of employee records revealed that the dominant ethnic community employed as at 30 June, 2025 constitutes 90% (73) of the total population of 81 staff members.

#### **Management Response**

No responses were received on this issue

#### **Committee Observations**

The Committee observed that 93% of staff were from the same dominant ethnic community, contrary to the law.

#### **Committee Recommendations**

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 endeavour 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.**

## **2. Non-Revenue Water**

During the year under review, the Company produced 2,647,458 cubic meters of water but only billed customers for 1,473,087 cubic meters. The remaining 1,274,371 cubic meters (44%) was unaccounted for, exceeding the 25% water loss limit.

### **Management Response**

No responses were received on this issue

### **Committee Observations**

The Committee observed that the Non-Revenue Water was at 44% which was way above the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines.

### **Committee Recommendations**

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 measures to include replacement of old age dilapidated infrastructure, installation of smart meters for accurate billing and the application of Geographical Information System (GIS) to receive real-time data for the detection of bursts and leakages, among other measures. 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. **given the impact of Non-Revenue Water on the water company's cashflows, the Accounting Officer should ensure that a provision for Non-Revenue Water is included in the financial statements. Further, explanatory notes should be provided to detail the contributions of both commercial and physical loss factors to the overall Non-Revenue Water; and**
- iii. **the County Government to collaborate with the Ethics and Anti-Corruption Commission to ensure pre-emptive measures are put place to reduce cases of theft and illegal connections.**

## **3. Non-Compliance with the law on Fiscal Responsibility- Wage Bill**

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2025 reflects Kshs. 48,357,350 in respect of staff costs out of the operating

expenses totaling Kshs. 118,558,782. This translates to 41% of total operating expenses.

### **Management Response**

No responses were received on this issue

### **Committee Observations**

The Committee observed that the company's personnel costs represented 41% of the company's annual expenditure, exceeding the 35% ratio recommended by Water Services Regulatory Board (WASREB).

### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and**
- ii. the Company ensures progressive compliance to the provisions of section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.**

#### 1.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MURANG' A SOUTH WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Murang'a South Water and Sanitation Company (MUSWASCO) Limited for the Financial Year 2024/2025. The following officers accompanied the Governor—

- |                        |                              |
|------------------------|------------------------------|
| 1. Prof. Kiarie Mwaura | - CECM Finance               |
| 2. John Macharia       | - Managing Director MUSWASCO |
| 3. Tabitha Waithera    | - Finance Manager MUSWASCO   |
| 4. Benard Kiplagat     | - Technical Manager          |

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Murang'a South Water and Sanitation Company Limited for the financial year on the following basis—

##### 1. Property Plant and Equipment

The Statement of financial position as disclosed in Note 20 to the financial statements reflects a balance of Kshs. 263,435,610 in respect of the net book value of property, plant and equipment. Examination of records revealed that although the financial statements reflected Nil values on building, the Company's assets register showed buildings of undetermined values, developed but not disclosed in the financial statements.

In addition, the company had in its custody and use motor vehicles and cycles also of undetermined values, donated by other agencies. However, the same transport equipment had not been included in the financial statements and the Company had not taken any steps to obtain ownership documents.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs. 263,435,610 could not be confirmed.

##### Management Response

The Company has multiple satellite offices in the area of operations. This enables our customers to access services and water provision information easily. The company's good relations with stakeholders and other government institutions have helped us secure office spaces in government establishments.

The company is in the process of following up on the transfer of ownership of the donated office spaces and the associated documentation to the Company. This will

enable the engagement of a qualified valuer to facilitate proper valuation and recognition of the assets in the Financial Statements. We have written to the relevant Agency requesting transfer and documentation of ownership of buildings and land.

The Water Works Development Agencies support the Water Service Providers (WSPs) by allocating motorcycles and vehicles to assist the WSPs in executing their mandate.

The Company has taken steps towards acquiring and obtaining ownership of the donated motorcycles and vehicles. Correspondence has been made to the relevant agencies requesting the transfer and provision of ownership documentation. This will enable the Company to engage a qualified valuer for purposes of valuation and subsequent reflection of the assets in the Financial Statements

### **Committee Observations**

The Committee observed that-

1. The Company was in the process of following up on the transfer of ownership of donated office spaces, motorcycles and vehicles.
2. The Company had not undertaken valuation of office spaces and motor vehicles due to lack of ownership documents.
3. The water company had not made the necessary disclosures of its assets in the financial statements.

### **Committee Recommendations**

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters water, engages with the relevant Water Works Development Agencies and IGRTC to 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 that the management of the water company undertakes the valuation of all its assets and submits the valuation report to the Senate and a copy to the Auditor-General for verification within 60 days of the adoption of this report;**
- 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;**
- v. **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.**

## **2. Long Outstanding Trade and Other Receivables**

The financial statements reflect net trade and other receivables of Kshs. 131,410,582 as disclosed in Note 29 to the financial statements. Although the Company has made a provision for bad and doubtful debts computed at a rate of 10% on gross trade receivables, the breakdown of the gross trade receivables includes a balance of Kshs. 125,443,068 or approximately 91% of the gross trade receivables which have been owing to the Company for over 120 days.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs. 131,410,582 could not be confirmed.

### **Management Response**

Management notes that certain receivables continue to present collection challenges, as outlined below:

- a) Maragua Connection Debts ceded to Murang'a Water and Sanitation Company Limited  
Outstanding balances amounting to Kshs. 16,913,916 arose from customers whose connections were ceded to Murang'a Water and Sanitation Company Limited. Collection has remained challenging due to the absence of a formal inter-company settlement agreement at the point of cession. Management continues to engage relevant stakeholders to explore viable resolution mechanisms.
- b) County Government of Murang'a Institutional Outstanding Bills  
Outstanding receivables amount to Kshs 18,891,757 million, relating mainly to historic debts accrued in prior periods. County institutions are consistently settling current monthly water bills, preventing further accumulation of arrears. Management is actively engaging County leadership to secure a structured settlement plan for historic balances.
- c) Marumi Community Water Project  
Arrears amounting to Kshs 5,973,525 million accumulated due to persistent non-payment under a single master meter arrangement. The Company dissolved the community project and transitioned members to individual direct connections to mitigate future revenue risk.
- d) Gika Kima Community Water Project Connections  
Outstanding balances amount to Kshs. 5,582,209 million resulted from customers abandoning the Company's supply after identifying alternative sources. Supply was disconnected in accordance with approved policy, and the

balances continue to be monitored for possible recovery or appropriate provisioning.

Key measures implemented to reduce the outstanding trade receivables include;

- Establishment of a dedicated Debt Management Team with clear performance targets
- Introduction of flexible part-payment arrangements for willing customers
- Systemic issuance of SMS payment reminders and formal demand notices
- Intensified field operations to curb illegal connections, correct billing irregularities, and enforce disconnections for overdue accounts
- Customer sensitization to promote timely bill settlement and sustainable service delivery
- Ongoing strengthening of the debt management policy to improve recovery

#### **Committee Observations**

The Committee observed that-

- i. the Company has accumulated trade and other receivables amounting to Kshs. 131,410,582.
- ii. the gross trade receivables include a balance of Kshs. 125,443,068 or approximately 91% of the gross trade receivables which have been owing to the Company for over 120 days.
- iii. the water company has demonstrated efforts to recover the outstanding debts during the period under review.

#### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the matter between MUSWASCO and MUWASCO on the control of Maragua Dam is amicably resolved within 60 days of the adoption of this report under the guidance of WASREB;
- ii. the Governor, through the Accounting Officer, should ensure that MUWASCO 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;
- iii. 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;
- iv. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits 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;
- v. 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
  - vi. 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.

### 3. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs. 235,972,424 which exceeds the current assets balance of Kshs. 187,232,143 resulting in a negative working capital of Kshs. 48,740,281 as at 30<sup>th</sup> June 2025. The Company has disclosed this state in Note 55 to the financial statements. Even though management of the Company has explained that it has implemented a cost recovery tariff to increase revenue, the precarious financial position still casts a significant doubt on the company's ability to meet its obligation as and when they fall due.

In the circumstances, the going concern of the Company and its ability to sustain services is in doubt.

#### Management Response

The Company has made significant progress in addressing this status as evidenced in the reduced negative working capital to Kshs. 48,740,281 for the year ended 30<sup>th</sup> June 2025 from Kshs. 100,159,436 for the year ended 30<sup>th</sup> June 2024.

The Company has initiated several strategies to enhance revenue generation;

- i. Implementation of various ongoing projects that will increase revenue generation.
- ii. Submitted various proposals on projects to be funded.
- iii. Conducting serious exercise towards unearthing illegalities like illegal connections, Meter bypasses, meter tampering etc as evidenced by collection of surcharge amount Kshs. 1,761,323 on penalties in the Financial Year 2024/25.
- iv. Continuous engagement with WASREB and the County Government of Murang'a to reclaim Murang'a South Water and Sanitation Company Limited encroached licensed service provision areas. This encroachment led

to loss of an average monthly revenue of Kshs. 1.5 million and trade receivables of Kshs. 16,913,916 million.

- v. The Company has entered into structured part payments towards reduction of some of the current liabilities.

These efforts are expected to strengthen the Company's financial position and improve the cash flows that will progressively reduce the current liabilities.

### **Committee Observations**

The Committee observed that the water company operated with a negative working capital of Kshs. 48,740,281 during the financial year under review, casting doubt on the company's ability to meet its obligations as and when they fall due

### **Committee Recommendations**

**The Committee recommends that-**

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

**determine and ascertain their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).**

### **Other Matters**

#### **1. Unresolved Prior Year matters**

In the prior years' audit report, several issues were raised under the Report on Financial Statements and lawfulness and Effectiveness in Use of Public Resources respectively. Review of the status during audit of the Water Company in 2024/25 revealed that the following matters remained unresolved.

| <b>S/No.</b> | <b>Financial Year</b> | <b>Audit Issue</b>                                    |
|--------------|-----------------------|---|
| 1            | 2023/2024             | Material uncertainty in relation to Going Concern     |
| 2            | 2023/2024             | Long Outstanding Trade Receivables                    |
| 3            | 2023/2024             | High Level of Non-Revenue Water (NRW)                 |
| 4            | 2023/2024             | Personnel cost in excess of the recommended threshold |
| 5            | 2023/2024             | Non-compliance with law on ethical composition        |
| 6            | 2023/2024             | Non-Implementation of Audit Recommendations           |

### **Management Response**

Management acknowledges that it is challenging to fully resolve most audit issues within a single financial year due to their complex and ongoing nature. However, the Company has made notable progress in addressing each issue through the continuous implementation of corrective measures and the strengthening of internal controls. Efforts are being made progressively to ensure full compliance and sustainable improvement in financial management, operational efficiency, and governance practices.

### **Committee Observations**

The Committee observed that the water company had unresolved prior year matters demonstrating the management's lack of action to implement corrective measures.

### **Committee Recommendations**

**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. Non-Revenue Water**

The financial statements reflect Kshs. 290,831,398 in respect of operating revenue as disclosed in Note 6. Included in this amount is water sales of Kshs. 281,179,178. During the financial year the company produced 4,303,958m<sup>3</sup> of water out of which only 2,647,543m<sup>3</sup> was billed to customers, leaving a balance of 1,656,415m<sup>3</sup> which represents approximately 38.5% of the total volume of water produced as Non-Revenue Water (NRW) The Non-Revenue Water of 38.49% was over and above the allowable loss of 25% provided by schedule E of Water Service Regulatory board (WASREB) guidelines.

In the circumstances, the Company exceeded the allowable NRW loss of 25% by 13.5% which if not addressed will negatively impact the Company's profitability and its long-term sustainability.

### **Management Response**

The Company registered an improvement in NRW reduction to 38.49% in FY 2024/25 from 40% in the prior year.

A comprehensive NRW reduction work plan, aligned with WASREB guidelines, has been developed, budgeted for, and is being executed annually.

Key ongoing initiatives include:

- **Infrastructure investments:** Currently we have ongoing NRW reduction at a cost of Kshs. 66,147,597.47 under Trust Fund. The deliverables of the projects are:
  - Rehabilitation of 9.96 Km HDPE pipeline of DN63mm, DN110mm and DN160mm and associated fittings and accessories.
  - Purchase and installation of 154 nr mainline air valves (DN 160mm-32mm)- This is aimed at reducing bursts and replacement of leaking air valves; therefore, reducing water loss.
  - Purchase and installation of 3,400 nr Mechanical meters DN 15mm and 269 nr prepaid smart Meters (DN 100mm-15mm) and supply of leak

detection machine. This will help detect and reduce physical losses and with replacement of consumer meters will reduce on commercial losses.

- **Commercial loss reduction:** We have Intensified detection and regularization of illegal connections through surcharges, disconnection campaigns, and ongoing court cases against defaulters.
  - We were able to surcharge over Kshs. 1,761,323 on penalties. Pursing legal action against non-compliant consumers, including arrests and court cases.
- **Bursts and Leakages:** We are prioritizing rapid response and preventive measures:
  - Utilizing a CRM app to efficiently report and assign repair tasks
  - Providing adequate resources to the O and M team
  - Gradually replacing low-quality pipes prone to frequent failures
- **District Metered Area (DMA) Development:** We have sub-divided our areas into 12nr Major DMAs and Sub-DMAs. This is through which caretaker approach is used to reduce NRW levels. Key activities include; dislodging sealed accounts, burst repairs, meter relocations, flow optimization, and underground leakage detection to establish reliable baselines and sustainable loss reduction.
- **Performance monitoring and Policy Framework:** We adhere to industry best practices and regulatory standards:
  - Implementing a comprehensive NRW and metering policy
  - Adhering to WASPA guidelines for meter specifications, pipe classes, fittings and repair methods
  - Leveraging WASREB NRW reduction planning templates
  - Adhering to MOWSI NRW management standards (Volume 1 and 2)
  - Quarterly NRW tracking against set targets, i.e., license conditions, with corrective actions integrated into operational plans.

These efforts are fully funded within the approved annual budgets.

### **Committee Observations**

The Committee observed that-

1. the Non-Revenue Water was at 38.49% which was way above the sector benchmark of 25% prescribed by the Water Services Regulatory Board (WASREB) guidelines.
2. The management had progressively come up with mitigating measures to address the commercial and physical losses.

### **Committee Recommendations**

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.**

## **2. Staff Ethnic Diversity**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect Kshs. 131,900,471 in respect of staff cost. Review of payroll revealed that out of a total workforce of one hundred and seventy-six (176) employees, one hundred and sixty-four (164), constituting 93%, comprised of staff drawn from one ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community. Further review of the Company's Board of Directors composition revealed that all the nine (9) members of the Board were from the same ethnic community.

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

### **Management Response**

The Company acknowledges that its rural operational context, with staff largely recruited locally from nearby TVET institutions, has contributed to limited ethnic diversity. To address this, Management is implementing objective and inclusive recruitment practices to attract applicants from diverse regions.

Further, the company has approved a revised Human Resources Policy and Procedures Manual, effective June 2025, which incorporates a Diversity, Equity and Inclusion (DEI) Framework under Section 2. The framework promotes ethnic and gender diversity, inclusion of persons with disabilities, minorities and marginalized groups, as well as age and youth diversity.

Management notes that the composition of the Board is undertaken in accordance with the WASREB Corporate Governance Standards for the Water Services Sector (2024) Section 3.4.4 note 11 which require Board members to be nominated from specific,

recognized and registered stakeholder groups within the locality served by the WSP limiting management's control over the ethnic diversity of nominees.

Nevertheless, Management recognizes the importance of compliance with the National Cohesion and Integration Act and will, in collaboration with WASREB, the County Government, and other stakeholders, sensitize nominating bodies on diversity requirements and seek guidance on harmonizing stakeholder representation with ethnic diversity in future Board appointments.

### **Committee Observations**

The Committee observed that the query remains unresolved as 164 of the total employees of 176, comprised of staff from one dominant ethnic community thus there was no ethnic diversity among the company employees.

### **Committee Recommendations**

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.**

### **3. Non-Compliance with Law on Staff Gender Composition**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs. 131,900,471 in respect of staff costs. Review of staff payroll revealed that out of total one hundred and seventy-six (176) Company employees, one hundred and twenty-four (124) representing 70% of the workforce were from the same gender contrary to Article 27(6) of the Constitution which provides that, the State shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

In the circumstance, Management was in breach of law.

### **Management Response**

Management affirms its commitment to achieving compliance with the constitutional two-thirds gender principle. The company has achieved this compliance at Board of Directors and Management level as reflected by 50/50 gender balance at management level, and 44% female and 56% male at Board level.

To institutionalize gender diversity and equality, the company has approved a revised HR Policy and Procedures Manual, effective June 2025, which includes a Diversity, Equity and Inclusion (DEI) Framework addressing gender, disability, age, and minority representation.

Management shall continue implementing targeted interventions to achieve and sustain the two-thirds gender requirement across all staff levels through fair, transparent, and inclusive recruitment practices.

#### **Committee Observations**

The Committee observed that 70% of the workforce were of the same gender contrary to Article 27(6) of the Constitution.

#### **Committee Recommendations**

**Committee recommends that the Governor ensures that the Board and the accounting officer make deliberate efforts progressively in the endeavor to comply with Article 27(6) of the Constitution 2010 through affirmative action programmes.**

#### **4. Encroachment of Water Service Area**

The financial statements reflect Kshs. 290,831,398 in respect of operating revenue as disclosed in Note 6, included in this amount is Kshs. 281,179,178 relating to water sales. However, review of billing patterns revealed that supply of water to customers in parts of Maragua area served by Maragua Dam has been cut off. Further enquiry and reference to the Board Chairman's statement revealed that although the said Maragua area falls within the Water Service Regulatory Board (WASREB) license and jurisdiction of Murang'a South Water and Sanitation Company, Murang'a Water and Sanitation Company has taken over the water service provision to the areas without valid license.

In addition, Murang'a Water and Sanitation Company Limited has taken over the control, custody and drawing of water from the Maragua Dam Project, implemented by Murang'a South Water and Sanitation Company Limited in collaboration with the Ministry of Water. This is contrary to Section 98(1) of the Water Act, 2016 which provides that it's only the Regulatory Board which has power to vary the areas of water service provision and can do so on application of a licensee whose area of water service is to be varied and with the consent of any other licensees affected and in which case the Regulatory Board will do that by order published in the Gazette.

In the circumstances, the action has led to loss of revenue against the Company in spite of the investments and resources it has incurred. In addition, there is loss of value in assets and infrastructure developed as no income is derived from, resulting in reduced financial performance and sustainability.

## **Management Response**

The Maragua Dam Project was implemented between 2017 to 2023 by Murang'a South Water and Sanitation Company Limited (MUSWASCO), in collaboration with the Ministry of Water. Before the project completion, Maragua's water coverage stood at 60%.

Upon the dam's completion, Murang'a Water and Sanitation Company Limited (MUWASCO) assumed control of the dam in February 2024 despite not contributing to the project's implementation and without following the proper handover and takeover procedures to-date. This action contravenes Section 98(1)(b) of the Water Act 2016, given that MUSWASCO is the licensed Water Service Provider (WSP) mandated to serve Maragua, and had demonstrated capacity to meet the area's water demand.

This takeover has severely affected MUSWASCO's financial and operational performance.

The Management has made deliberate efforts to safeguard its licensed area of operation by formally engaging both the Regulator-WASREB and the County Government of Murang'a

Subsequently, the Management formally requested WASREB, through a letter dated 28th February 2025 (Ref: MUSWASCO/WASREB/4/24), to retain the existing operational boundaries as per the current license demarcations.

## **Committee Observations**

The Committee observed that Murang'a Water and Sanitation Company (MUWASCO) assumed control of the Maragua Dam once it was completed without following the correct takeover procedures.

## **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the matter between MUSWASCO and MUWASCO on the control of Maragua Dam is amicably resolved within 60 days of the adoption of this report under the guidance of WASREB; and**
- ii. the Auditor-General provides a status update on the progress made on the matter in the subsequent audit cycle upon review of the progress report**

## **5. Personnel Costs in Excess of Recommended Threshold**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs. 131,900,471 in respect of staff costs.

This is approximately 44% of the Company's total revenue for the year of Kshs. 300,998,489 and exceeds the set limit of thirty-five percent (35%) under Regulation 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015.

In the circumstances, the high wage bill is an indication that most of the Company's resources are spent on staff costs at the expense of development projects and thus impacting negatively on service delivery.

### **Management Response**

The noted variance was largely influenced by a decline in revenue collection during the year, occasioned by factors beyond our control. Specifically, the encroachment of our service areas within Maragua Constituency led to the loss of a significant portion of our billing base.

To address this, the company has put in place measures aimed at restoring and enhancing revenue performance. These include; deliberate efforts to safeguard its licensed area of operation by formally engaging both the Regulator-WASREB and the County Government of Murang'a, ongoing efforts to expand billing coverage, intensify revenue collection, and reduce Non-Revenue Water. Furthermore, management is strengthening staff performance monitoring through strict and objective appraisals to improve productivity and ensure optimal return on investment.

We remain committed to aligning our expenditure with the fiscal responsibility principles outlined under Regulation 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015, and progressively reducing the wage bill ratio to within the prescribed threshold.

### **Committee Observations**

The Committee observed that the company's personnel costs represented 44% of the company's annual expenditure, exceeding the 35% ratio recommended by Water Services Regulatory Board (WASREB).

### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the Accounting Officer develops a staff rationalisation plan with specific annual reduction targets to achieve the WASREB benchmark of 35% and report to the Senate and a copy to the Auditor-General within 90 days after adoption of this Report; and**
- ii. the Company ensures progressive compliance to section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.**

## **6. Delayed Transfer of Company's Ownership**

Review of the memorandum of association of the Company revealed that, the share capital stands at Kshs. 100,000 divided into 5,000 shares of Kshs. 20 each with 4,999 shares owned by the chief executive officer of the defunct Tana Water Services Board and 1 share owned by the County Government of Murang'a contrary to Clause 3.3.1.1 of Water services regulatory board (WASREB) corporate governance guidelines, 2018 which provides that the shareholder of a water service provider will for public providers remain the county government. The County Government of Murang'a has not instituted measures necessary to assume the complete ownership of the water company as provided under the guidelines since although company's correspondences indicate that the Company has initiated the transfer process, the matter has stalled at negotiations between the County Government and the National Government.

In this circumstances, the Company's ownership does not comply with the requirements of the law.

### **Management Response**

The Management has continuously engaged the Murang'a County Government and the Tana Water Works Development Agency (TWWDA) regarding the transfer of company ownership in line with the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018.

On 15th April 2024, a meeting was held at Maji House involving representatives from the County Government of Murang'a, the Ministry of Water and Irrigation, and MUSWASCO. During this meeting, a Memorandum of Understanding (MOU) was signed between the two levels of government that is County and National Government, committing to initiate the formal process of transferring the company's shares to the County Government.

However, the implementation of the share transfer process is still ongoing and remains under the jurisdiction of the respective government entities.

### **Committee Observations**

The Committee observed that the ownership of the water company was yet to be transferred to the County Government.

### **Committee Recommendations**

**The Committee recommends that the Governor of Murang'a takes immediate action to ensure that the ownership of the water company is transferred to the County Government of Murang'a and provide a status update on the same to the Senate within ninety (90) days of the adoption of this report.**

## **7. Long Outstanding Payables**

The statement of financial position and as disclosed in Note 43 to the financial statements reflects trade and other payables balance of Kshs. 146,570,253. Included in the balance is the trade payables balance of Kshs. 105,949,074 out of which Kshs. 66,985,231 is owed to Tana Water Services Board, Water Services Regulatory Board and Water Resources Authority since the financial year 2020/2021 and earlier years which have remained unsettled for five (5) years and above contrary to Section 94 (1) (a) of the Public Finance Management Act, 2012 which provides that a State organ or public entity is in serious persistent material breach of the measures established under this Act if it has failed to make any payments as and when due.

In the circumstances, the Company is in breach of Law.

### **Management Response**

The Company has established payment plans with the Water Services Regulatory Board (WASREB), the Water Resources Authority (WRA), the Tana Water Works Development Agency (TWWDA) and County Pension Fund (CPF) to progressively settle the outstanding balances.

However, due to persistent cash flow constraints, the Company has not been able to make regular monthly payments as initially planned but has regularly honored the County Pension Fund (CPF) payment plan.

Additionally, part the balance of long outstanding payables under query includes an administrative fee of Kshs. 20,699,784 owed to Tana Water Works Development Agency. It is important to note that these charges accumulated despite Tana Water Works Development Agency not delivering the expected infrastructure developments. Consequently, our water company proceeded with the necessary capital investments that supplied water to Kenol town via commercial financing valued at Kshs. 28 million on behalf of Tana Water Works Development Agency. Given these circumstances, we are exploring ways to address this issue where this TWWDA debt can be written off and converted to equity capital.

Management has continued to prioritize the settlement of obligations to suppliers directly involved in water service delivery, such as suppliers of treatment chemicals, fuel, water pipes, and fittings, in order to safeguard continuity of operations and service delivery.

The Company remains committed to honoring its obligations under the existing payment arrangements and is continuously exploring measures to enhance liquidity, including improved revenue collection, cost control, and timely disbursement planning to ensure sustainability and compliance going forward.

### **Committee Observations**

The Committee observed that-

- i. The Company has established payment plans with the Water Services Regulatory Board (WASREB), the Water Resources Authority (WRA), the Tana Water Works Development Agency (TWWDA) and County Pension Fund (CPF) to progressively settle the outstanding balances.
- ii. Kshs. 20,699,784 owed to Tana Water Works Development Agency includes accumulated funds despite Tana Water Works Development Agency not delivering on their services.

#### **Committee Recommendations**

##### **The Committee recommends that-**

- i. **the Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**
- ii. **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; and**
- iii. **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.**

## 1.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Murang'a Water and Sanitation Company (MUWASCO) Limited for the Financial Year 2024/2025. The following officers accompanied the Governor—

- |                        |                              |
|------------------------|------------------------------|
| 1. Prof. Kiarie Mwaura | - CECM Finance               |
| 2. Samuel Murigi       | - Chief Officer MUWASCO      |
| 3. CPA Joseph Maina    | - Commercial Manager MUWASCO |

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Murang'a Water and Sanitation Company Limited for the financial year on the following basis—

#### 1. Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs. 180,609,871 as disclosed in Note 25 of the financial statements. The balance includes Kshs. 69,818,132 in respect of accrued bills which further includes levies totaling to Kshs. 49,458,717 owed to Tana Water Service Board for over five (5) years dating back to February 2017. The balance also includes Kshs. 14,871,941 owed to Water Service Regulatory Board for up to five years. In addition, an amount totaling to Kshs. 24,675,530 owed to other suppliers has been outstanding for over 90 days.

In the circumstances, the accuracy and ability to clear these long outstanding accrued bills of Kshs. 69,818,132 could not be confirmed.

#### Management Response

The Company has been operating with non-cost recovery tariffs which affected the liquidity of the company making it dependent on Government subsidies for its operations and supplier credits. Efforts were made to ensure that the company has cost recovery tariffs which were approved by the Water Services Regulatory Board and gazette on 23<sup>rd</sup> May 2014; however, the tariffs were not implemented immediately due to political interference. The same tariffs have expired and the new one approved by WASREB in 2019 is yet to be gazette hence the challenges of settling the outstanding debts. We have made a new application which is being considered by WASREB.

It's worth noting that in the balance of current liabilities the company had accrued Bills of Kshs. 50 million owed to TWSB and since the company had made capital investment

on behalf of TWSB valued Kshs. 44 million, the management is pursuing the same to be converted to equity capital. The amount is not accruing further as the current Water Act of 2016 does not require the payment of administration fees. We have paid Kshs. 662,128 to WASREB this month (January 2026) and we commit to clear the balance in monthly instalments.

### **Committee Observations**

The Committee observed that-

1. The Company has accumulated significant long outstanding trade and other payables amounting to Kshs. 180,609,871, including accrued bills of Kshs. 69,818,132, some of which have remained unsettled for periods exceeding five (5) years.
2. The Company has no clear measures put in place to obtain a cost recovery tariff.

### **Committee Recommendations**

The Committee recommends that-

- i. **the Governor to ensures the water company makes budgetary provision to clear the outstanding payables by the end of the FY 2026/2027 and provide a status update to the Senate within 60 days of the adoption report;**
- ii. **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; and**
- iii. **within sixty (60) days of the adoption of this report, the Accounting Officer engage the relevant entities to formulate a repayment plan for the payables and file a report on the same with the Auditor-General for verification. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

### **2. Under-Statement of Tax Payables**

The statement of financial position and as disclosed in Note 26 to the financial statements reflects tax payable of Kshs. 2,338,901 owed to Kenya Revenue Authority (KRA). However, the outcome of a tax audit carried out by Kenya Revenue Authority on 5<sup>th</sup> August, 2025 revealed that the company owes Kshs. 7,169,500 resulting into undeclared taxes amounting to Kshs. 4,830,599. In the circumstances the accuracy and completeness of the tax payable balance of Kshs. 2,338,901 could not be confirmed.

### **Management Response**

The arrears amount of Kshs. 15,889,330 that was assessed by KRA in the correspondence dated 28/04/2015 were to be offset by the VAT refund claims. KRA has confirmed set offs of these amount not offset stands at Kshs. 2,338,901 which remains in our books as payable as at 30<sup>th</sup> June 2025.

The audit assessment concluded on 5<sup>th</sup> August 2025 fall under the current financial year and the balance has been recognized in the current financial year.

| No. | Tax Head                  | Principal<br>Kshs. | Penalty<br>Kshs. | Interest<br>Kshs. | Total            |
|-----|---------------------------|--------------------|------------------|-------------------|------------------|
| 1   | PAYE                      | 163,658            | 8,183            | 38,347            | 210,189          |
| 2   | Withholding VAT           | 4,149,457          | 414,946          | 1,449,915         | 6,014,318        |
| 3   | Withholding<br>income tax | 658,365            | 32,918           | 253,710           | 944,993          |
|     | <b>Total</b>              | <b>4,971,480</b>   | <b>456,047</b>   | <b>1,741,972</b>  | <b>7,169,500</b> |

#### **Committee Observations**

The Committee observed that the correspondence attached by the Company are for earlier years and does not relate to the tax assessment carried out by KRA in August 2025.

#### **Committee Recommendations**

**The Committee recommends that the Auditor-General keep the matter in view in the subsequent audit cycle and report to the Committee.**

#### **Other Matter**

##### **1. Prior Year Unresolved Issues**

In the previous year's audit report, three (3) issues were raised under Basis for Qualified opinion, one (1) paragraph under Emphasis of Matter and four (4) paragraphs under Report on Lawfulness and Effectiveness in use of Public Resources. However, the matter remain unresolved since management has not submitted a report on how it addressed the recommendations and findings of the previous year's audit report.

#### **Management Response**

A report has been sent to Auditor general on the implementation status of recommendations made by Senate

#### **Committee Observations**

The Committee observed that the Company forwarded to the Auditor-General the implementation status report which upon evaluation revealed significant outstanding matters.

#### **Committee Recommendations**

**The Committee recommends that—**

- i. the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; 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. Operating using Outdated Water Tariffs**

The financial statements reflects Kshs. 309,387,109 in respect of operating revenue as disclosed in Note 6. Included in this amount is Kshs. 224,481,516 relating to sales through billing to customers. The tariffs rates in use came into effect on 23 May, 2014 vide a Gazette Notice No. 3462 and which were to be applicable for period 2014/2015 and 2015/2016 and have since expired.

In the circumstances, the Company's use of old and outdated tariffs denies it necessary returns to meet its operational costs over the years.

#### **Management Response**

Management has applied for a new tariff which the regulator has requested the County Government of Murang'a to conclude the pending issues of boundaries review between MUWASCO and MUSWASCO

#### **Committee Observations**

The Committee observed that the application for renewal of the tariff by the company is still pending due to unresolved boundary disputes between MUWASCO and MUSWASCO.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor in consultation with WASREB mediate and resolve the boundary dispute between MUWASCO and MUSWACO amicably. A status report be submitted to the Senate within 60 days; and**

- ii. upon the resolution of the dispute and approval of the new tariff by WASREB, the water company adhere to Section 72 of the Water Act, 2016, and implement the tariff, failure to which, the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply.

## **2. Non-Revenue Water**

The financial statements reflect Kshs. 309,387,109 in respect of operating revenue as disclosed in Note 6. Included in this amount is water sales of Kshs. 224,481,516. During the financial year the company produced 4,291,218 m<sup>3</sup> of water out of which only 3,014,217m<sup>3</sup> was billed to customers. The balance of 1,277,001 m<sup>3</sup> which represents approximately 29.8% of the total volume of water was produced as Non-Revenue Water (NRW) with projected fiscal value of Kshs. 95,103,677. The Non-Revenue Water of 29.4% is over and above the allowable loss of 25% provided by Schedule E of the Water Service Regulatory Board (WASREB) guidelines.

In the circumstances, the Company exceeded the allowable NRW loss of 25% by 4.4% or approximately Kshs. 14,061,748 worth of water which if not addressed will negatively impact profitability and its long-term sustainability.

### **Management Response**

The Company's NRW had reduced to 25% until March 2024 when the Company operations were extended to new area of Maragua where it increased to 36% and have managed to reduce it to 29%. Based on the international benchmark as well as WASREB guidelines 25% of non-revenue water is allowable for loss due to various factors. The increase of NRW has been occasioned by dilapidated old infrastructure in Maragua town and its environs. To bring down the NRW, a complete overhaul of current system will be required. This calls for massive investment which is beyond the company's affordability. The estimated monetary value is not realistic as it has used selling price rather than production cost. As management we are putting every effort to ensure the NRW is reduced to acceptable levels and this includes but not limited to: -

- i. Sourcing for funds to demarcate district metered areas (DMAs)
- ii. Establishing daily and monthly water demand
- iii. Developing NRW strategies and policies
- iv. Metering of water produced and night flow measurements to control pressures
- v. Benchmarking with peer companies to adopt best practices
- vi. Establishment of NRW team section and timely burst repair
- vii. Continuous meter testing where there is doubt concerning their accuracy
- viii. Internal as well as external training on methods to curb NRW
- ix. Patrolling for water mains and sub mains and carrying out leak detection

- x. Partnering with communities to curb water theft and surveillance of customer homesteads to ensure all water consumed is metered.

#### **Committee Observations**

The Committee observed that-

1. the water company registered a high Non-Revenue Water of 29.8%, that is, 4.4% percentage points above the sector benchmark of 25% as per Water Services and Regulatory Board (WASREB) Guidelines.
2. The NRW was approximately Kshs. 14,061,748 worth of water which, if not addressed, will negatively impact profitability and its long-term sustainability

#### **Committee Recommendations**

The Committee recommends that—

- i. the Accounting Officer responsible for the water company should put in place comprehensive measures to mitigate the Non-Revenue Water. These measures include the installation of smart meters to ensure accurate billing, the replacement of the old water supply network, as well as the introduction of a Geographic Information System (GIS), which will help the company receive real-time data on leaks in pipes and monitor maintenance;
- ii. the Governor should engage the Ethics and Anti-Corruption Commission (EACC) to facilitate the development of a comprehensive institutional corruption prevention policy for the company;
- iii. 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
- iv. the Auditor-General to monitor implementation and effectiveness of the measures put in place to mitigate on the Non-Revenue Water and report in the subsequent audit cycle.

#### **3. Non-Compliance with the One Third of Basic Salary Rule**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs. 175,624,438 relating to staff costs. An analysis of the June 2025 payroll revealed that forty-eight (48) employees earned a net salary of less than a third (1/3) of the basic salary. This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of deduction of the wages of an employee shall not exceed two thirds of such wages.

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

#### **Management Response**

Review of PAYE rates in the year 2020 and 2021 affected the current earnings of employees. There are those who took loans in the year 2020 and the loans were not fully paid up to now and the PAYE rates were reviewed upwards in the year 2021 their earnings went down to below one third rule. Further introduction of housing levy, SHA and new NSSF rates has worsened the situation, currently all loans are approved by the Human Resource office to ensure the third rule is adhered to.

### **Committee Observations**

The Committee observed that 48 employees per month were drawing net salary of less than one third of their basic salary contrary to section 19(3) of the Employment Act, 2007.

### **Committee Recommendations**

**The Committee recommends that the Company progressively adheres to the provisions of to Section 19(3) of the Employment Act, Cap.226 which stipulates that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of the basic pay, failure to which the provisions of section 87 of the Employment Act on penalties for offences shall apply.**

#### **4. Non-Compliance with the Law on Ethnic Diversity**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs. 175,624,438 relating to staff costs. The review of the staff records revealed that out of the one hundred and seventy-nine (179) members of staff, one hundred and seventy (170) or approximately 95% were from the same ethnic community. Similarly, all the eleven (11) Board members were from the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires public entities to ensure that their establishments seek to represent the diversity of the people of Kenya 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**

The company was started when the National Cohesion and Integration Act was not in operation and the composition of employees was 100% from the dominant community in Murang'a. however, as management we have endeavored to comply with the national Cohesion and Integrity Act of 2008 progressively and currently, we have employees in the company who are members of the other communities at 5% and we intend to improve this over time. The advertisement for appointment of the Board members was done in a media with national wide coverage to ensure all applicants have equal chances

to be recruited and we will endeavor to comply with the law to achieve balanced representation.

#### **Committee Observations**

The Committee observed that 95% of the staff and 11 Board members were from the same ethnic community which is contrary to Section 7(1) and (2) of the national Cohesion and Integration Act, 2008.

#### **Committee Recommendations**

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. Non-Compliance with Fiscal Responsibility Principle**

The statement of profit or loss and other comprehensive income reflects Kshs. 175,624,438 in respect to staff costs as disclosed in Note 11 to the financial statements. This amount accounts for 51% of the total Company's revenue for the year of Kshs. 338,551,290 or 16%. The rates are higher than the thirty-five percent (35%) maximum threshold under Regulation 25(1)(b) of the Public Finance Management (County Government) Regulations 2015 which provides that the compensation of employees including benefits and allowance shall not exceed 35% of the revenue raised.

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

#### **Management Response**

Management complies with WASREB regulations on operational sustainability which is measured with the number of staffs per 1,000 connections. For large and very large water companies the set ratio for staffs per 1,000 connections is between 5-8 staffs and with the company being categorized as large the staff per 1,000 should not exceed 8 and are currently at 6 staff per 1,000 connections.

During the year under review the operations and maintenance expenditures were not optimal due to use of non-cost recovery tariffs hence the revenues collected could not

optimally cater for the budgeted expenditures. This resulted to reduced cash flows hence the scale down of operational expenses.

The personnel cost as a share of operation and maintenance measures the economic efficiency as it measures how the personnel costs are proportionate to the overall operation and maintenance costs. It is affected by other factors as human resource guidelines and the collective bargaining agreements.

The management is committed to ensure the personnel costs are maintained within the industrial set benchmark

### **Committee Observations**

The Committee observed that the water company spent of Kshs. 175,624,438 (51% of the total revenue) on personnel expenses contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

### **Committee Recommendations**

**The Committee recommends that the Company progressively adheres to the provisions of section 3.9 (9) of WASREB corporate Governance Guidelines which limits the wage bill to thirty-five percent (35%) of the total revenue and establish a lean staff complement.**

## **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 Annual Governance Audit and Performance Evaluation**

Review of board activities at the Company revealed no evidence that the Board undertook an annual governance audit during the year under review as required by the regulatory governance principles to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

Further, the Board did not conduct self-evaluation of its performance on an annual basis as required by the Water Services Regulatory Board Guidelines which provides that the board of directors shall carry out annual performance evaluation and file a report with the shareholders at the general meeting.

In the circumstances, it was not possible to confirm the level of adherence to applicable laws, rules, regulations and policies of the Company.

### **Management Response**

An independent annual governance audit was conducted by WASREB who is the regulator and an overall score of 72% was given as reported in the last impact report issue number 17-2015.

The board will conduct self-evaluation of its performance and issue a certificate in the current financial year to confirm compliance with the law.

### **Committee Observations**

The Committee observed that-

- i. the company did not carry out self-evaluation.
- ii. the governance audit carried out by the regulator was for 2023/2024 and that no evaluation was carried out for the 2024/25 period.

### **Committee Recommendations**

**The Committee recommends that the water company adheres to Chapter 1 paragraph 1.13 (1) and (2) of the Mwongozo Code of Governance for State Corporations of 2015, and sanction governance audit, and failure to which failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

## CHAPTER TWO: MUNICIPALITIES

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

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Kangari for the Financial Year 2024/25. The following officers accompanied the Governor—

- |                            |                     |
|----------------------------|---------------------|
| 1. Mr. James Gatuna        | - CECM Lands        |
| 2. Mr. Prof. Kiarie Mwaura | - CECM Finance      |
| 3. Mr. Hassan Abdirahman   | - Chief Officer     |
| 4. Mr. David Njuguna       | - Municipal Manager |

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **Unqualified Opinion** on the financial statements of the Municipality of Kangari for the financial year on the following basis—

**1. Failure to Submit Bank Reconciliation Statements to The National Treasury**  
Review of the bank reconciliation statements for the financial year under review showed that bank reconciliations were not submitted to the National Treasury and a copy to the Auditor-General as required under Regulation 90(1) of Public Finance Management (National Government) Regulations, 2015.

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

#### Management Response

All reconciliations were duly prepared and reviewed internally. The Municipality has instituted measures to ensure full compliance.

#### Committee Observations

The Committee observed that all reconciliations were duly prepared and reviewed.

#### Committee Recommendations

The Committee recommends that-

- i. the Municipality should adhere to provision or regulation 90(1) of the Public Finance Management(County Government) Regulations and ensure that the accounting officer submits the reconciliation statemnts

- to the County Treasury with a copy the Auditor-General no later than the 10th of the subsequent month; and
- ii. the Accounting Officer ensures that supporting documents are availed to the Auditor during audit as required under section 9(1)(e) of the Public Audit Act, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act, 2015 in the subsequent audit cycle.

## **2. Independence of the Municipality**

The Municipality was granted a Municipal Charter on 20<sup>th</sup> July, 2022, which was intended to confer operational independence from the County Government of Murang'a. However, a review of the Municipality's operations revealed that it has not fully exercised the expected autonomy, as outlined below:

- i. The Municipality's budget was prepared and controlled by the County Executive, with no evidence of approval by the Municipality Board.
- ii. The County Government has continued to perform several functions that were formally transferred to the Municipality under paragraph 2.3.1 of the Kangari Municipality Charter, including:
  - a. Regulation and provision of refuse collection and solid waste management services.
  - b. Development and enforcement of Municipality plans and development controls.
  - c. Oversight of advertisements.
  - d. Construction and maintenance of street lighting

This is contrary to section 12(1) of the Urban areas and Cities Act, 2011 which states that the management of a Municipality shall be vested in the County Government and administered on its behalf by a Board constituted in accordance with the Act; a manager appointed pursuant to Section 28; and such other staff or officers as the county public service may determine. Section 12(2) of the Act further provides that the Board shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name, be capable of doing or performing all other acts or things for the proper performance of its functions in accordance with this Act or any other written law which may lawfully be done or performed by a body corporate.

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

### **Management Response**

- i. The Municipality has a duly approved budget by the municipality board
- ii. Kangari Municipality is recently established entity, having received its Municipal Charter on 20<sup>th</sup> July 2022, and is currently undergoing institutional and operational transition. As a new municipality, some functions and

financial controls are still being mainstreamed from the County Government of Murang'a, hence the partial dependence observed.

Nonetheless, the Municipality has already developed key governance and planning frameworks including the Municipal Charter, Integrated Development and Economic Plan (IDEP), and Integrated Strategic Urban Development Plan (ISUDP), which provide a clear roadmap toward full operational autonomy.

Management, in collaboration with the County Executive Committee for Lands, Physical Planning, and Urban Development, is fast-tracking the full transfer of devolved functions, capacity-building of municipal staff, and establishment of independent financial management structures to ensure compliance with Section 12(10) and (2) of the Urban Areas and Cities Act, 2011.

The Municipality remains committed to achieving full operational independence while strengthening accountability and service delivery within its jurisdiction.

#### **Committee Observations**

The Committee observed that-

- i. The Municipality did not have full operationalization
- ii. The management was in the process of operationalizing the frameworks that included the Municipal Charter, Integrated Development and Economic Plan (IDEP), and Integrated Strategic Urban Development Plan (ISUDP).

#### **Committee Recommendations**

The Committee recommends that-

- i. **within sixty (60) days of the adoption of this report, the Governor through the Board of the Municipality ensures the Integrated Development and Economic Plan and the Integrated Strategic Urban Development Plan (ISUDP) for the Municipality is put in place in line with section 20(1)(c) of the Urban Areas and cities Act, Cap.275;**
- ii. **the Governor 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**
- iii. **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.**

### **3. Non-Deduction of Capacity Building Levy**

During the year under review, Management entered into a contract worth Kshs. 49,269,248 with a service providing company. However, the Municipality failed to recover and remit the capacity building levy to Public Procurement Regulatory Authority contrary to Paragraph 3.(1) of The Public Procurement Capacity Building

Levy Order, 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

#### **Management Response**

The approved development budget for the year under review was Kenya Shillings Ten Million (Kshs. 10,000,000), out of which Kshs. 9,824,162 was spent, and the applicable Public Procurement Regulatory Authority (PPRA) capacity building levy at 0.03% was duly deducted.

#### **Committee Observations**

The Committee observed that the approved development budget for the year under review was Kshs. 10,000,000, out of which Kshs. 9,824,162 was expended. The capacity building levy of 0.03%, applicable to these procurement contracts, was duly deducted and remitted to the Public Procurement Regulatory Authority (PPRA) in compliance with Paragraph 3(1) of The Public Procurement Capacity Building Levy Order, 2023.

#### **Committee Recommendations**

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

#### **4. Non-Compliance with Data Controller Registration Requirements**

The audit revealed that in the financial year under review, the Management of the Municipality processed payment of allowances for which information was collected from the payees. However, Management did not have a certificate of registration as a data controller as required under Section 18 of the Data Protection Act, 2019. Further, no application for registration has been submitted, and no evidence was provided to confirm compliance with statutory registration requirements.

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

#### **Management Response**

Kangari Municipality is a newly established entity that has been operating under the umbrella of the County ICT and data management systems. Consequently, the process of institutionalizing independent administrative and compliance frameworks including registration as Data Controller is in progress.

### **Committee Observations**

The Committee observed that Kangari Municipality has been operating under the County's ICT and data management systems but was in the process of registering as a data controller.

### **Committee Recommendations**

**The Committee recommends that the Board of Directors and the Managing Director ensure that the Municipality complies with the provisions of the Data Protection Act and register as a data controller, and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.**

## **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 Data Protection Policy**

The audit revealed that the Municipality did not have a formally documented Data Protection Policy. Further, there were no internal guidelines or documented procedures outlining how personal data was collected, processed, stored, or shared, contrary to Regulation 23 of the Data Protection Regulations, 2021. In the absence of a documented policy, the entity is exposed to the risk of non-compliance with data protection requirements and potential misuse or mishandling of personal data.

In the circumstances, there is high risk of unauthorized access, misuse, or breach of personal data.

### **Management Response**

The Municipality is in the process of developing and formalizing a comprehensive Data Protection Policy, together with supporting internal guidelines and procedures to govern the handling of personal data in line with the Data Protection Act and the Data Protection regulations, 2021.

### **Committee Observations**

The Committee observed that the Municipality was in the process of developing and formalizing a data Protection Policy, together with supporting internal guidelines to govern handling of personal data in line with the Data Protection Act.

### **Committee Recommendations**

**The Committee recommends that the Board of Directors ensures that the Municipality puts in place all internal control systems such as a Data Protection 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.**

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

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Kenol for the Financial Year 2024/2025. The following officers accompanied the Governor

- |                            |                                  |
|----------------------------|----------------------------------|
| 1. Mr. James Gatuna        | - CECM Lands Murang'a            |
| 2. Mr. Beatrice Gicheha    | - Municipal Manager              |
| 3. Mr. Prof. Kiarie Mwaura | - CECM Finance                   |
| 4. Mr. Charles Wamangata   | - Accountant, Kenol Municipality |

### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Municipality of Kenol for the financial year on the following basis—

**1. Failure to Submit Bank Reconciliation Statements to the National Treasury**  
Review of the bank reconciliation statements for the financial year under review showed that bank reconciliations were not submitted to the National Treasury and a copy to the Auditor-General as required under Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015.

#### Management Response

The Municipality has been preparing a monthly bank reconciliation and has taken measures to comply with the requirements of the above regulation. Consequently, we have been submitting these reconciliations to the national Treasury and the Office of the Auditor-General.

#### Committee Observations

The Committee observed that the Municipality had put in place measures to ensure compliance with regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015 by preparing monthly bank reconciliations.

#### Committee Recommendations

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.**

## **2. Independence of the Municipality**

The Municipality was granted a Municipal Charter on 20<sup>th</sup> July 2023, which was intended to confer operational independence from the County Government of Murang'a. However, a review of the Municipality's operations revealed that it has not fully exercised the expected autonomy, as outlined below:

- i. The Municipality's budget was prepared and controlled by the County Executive, with no evidence of approval by the Municipality Board.**
- ii. The County Government has continued to perform several functions that were formally transferred to the Municipality under paragraph 2.3.1 of the Kenol Municipal Charter, including:**
  - Regulation and provision of refuse collection and solid waste management services;**
  - Development and enforcement of municipal plans and development controls;**
  - Oversight of advertisements;**
  - Construction and maintenance of street lighting**

This is contrary to Section 12(1) of the Urban areas and Cities Act, 2011, which states that the management of a Municipality shall be vested in the County Government and administered on its behalf by a Board constituted in accordance with the Act; a manager appointed pursuant to Section 28; and such other staff or officers as the county public service may determine. Section 12(2) of the Act further provides that the Board shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name, be capable of doing or performing all other acts or things for the proper performance of its functions in accordance with this Act or any other written law which may lawfully be done or performed by a body corporate.

## **Management Response**

- i. The Municipality became operational in March 2023 when the board was sworn-in. The Municipality has endeavored to put up all the required structures for implementation of its mandate. In April 2024 the Municipality prepared and approved a program-based budget for the financial year 2024-2025.
- ii. Kenol Municipality is a newly established entity and so it is still in the formative stage. The Municipality has however assumed responsibility such as garbage collection, identification and management of infrastructure development, physical planning and development control. The management is engaging the county treasury towards a structured financial management in order to facilitate full operation of the Municipality.

### **Committee Observations**

The Committee observed that-

- i. Kenol Municipality was granted a Municipal Charter in July 2023 but lack of autonomy still persists.
- ii. The Municipality has assumed responsibility such as garbage collection, identification and management of infrastructure development, physical planning and development control.
- iii. The city lacked independence in terms of management, functional and financial contrary to Section 12,20,45 and 46 of the Urban Areas and Cities Act Cap 275.

### **Committee Recommendations**

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 to keep this matter in view and report in the subsequent audit cycle.**

### **3. Unsupported Deductions for Capacity Building Levy**

During the year under review, the management entered into contracts worth Kshs. 49,269,248 with a company. However, no evidence was provided as proof that Management deducted Capacity Building Levy at the rate of 0.03% on the contracts and remitted the same to the Authority through the e-Citizen platform.

### **Management Response**

The Municipality development project was for Kshs. 4,926,924. The management deducted capacity building levy Kshs. 1,478.10 as required by law as evidenced in the payment details.

#### **Committee Observations**

The Committee observed that whereas the evidence of deduction and remittance had been availed and verified by the Auditor-General, the submission was done outside the timelines contemplated under the Public Audit Act, Cap.412B and constitutes an offence under section 62(2) of the Act.

#### **Committee Recommendations**

**The Committee recommends 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.**

#### **4. Failure to Open Interest-Bearing Operations Account**

The statement of financial position reflects cash and cash equivalents balance of Kshs. 4,495, as disclosed under Note 12 to the financial statements. A review of supporting documents revealed that the Municipality operated a project bank account which was not an interest-bearing account.

This is contrary to Clause 2.4.3 of the Kenya Urban Support Programme (KUSP) Financial Management Procedures Manual, 2017, which requires that project bank accounts be interest-bearing and operated by the Project Coordination Team (PCT) at a bank in line with Treasury policies and the Public Finance Management Act.

In the circumstances, management was in breach of agreed procedures with a donor.

#### **Management Response**

The Municipality operates a current account for the day-to-day operations. This account had a closing balance of Kshs. 4,495. The donor funds under the Kenya Urban Support Program project (urban development grant) were not received during the period. The management is in the process of opening interest-bearing account for the project funds.

#### **Committee Observations**

The Committee observed that the donor funds under the KUSP project were put under a non-interest-bearing account contrary to the agreed procedures with the donor.

#### **Committee Recommendations**

**The Committee recommends that the Municipality opens a fixed bank account for the project funds in its name and the Auditor-General to keep this matter in view**

**in the subsequent audit cycle, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply.**

#### **5. Non-compliance with Data Controller Registration Requirements**

The audit revealed that in the financial year under review, the Management of the Municipality processed payment of allowances for information collected from the payees. Management did not have a certificate of registration as a data controller from the Office of the Data Protection Commissioner (ODPC), as required under Section 18 of the Data Protection Act, 2019.

Further no application for registration had been submitted and no evidence was provided to confirm compliance with statutory registration requirements.

In the Circumstances, management was in breach of the law.

#### **Management Response**

Kenol Municipality is a newly established entity that has been operating under the County's ICT and data management systems. It has embarked on the process of registration under the provisions of the Act and has already submitted an application for registration.

#### **Committee Observations**

The Committee observed that Kenol Municipality has been operating under the County's ICT and data management systems but was in the process of registering as a data controller.

#### **Committee Recommendations**

**The Committee recommends that the Governor should ensure that the Municipality complies with the provisions of the Data Protection Act and register as a data controller, and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update to the Committee 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. Lack of Risk Management Strategies and Internal Control Systems**

The audit revealed that Management did not develop risk management strategies or fraud prevention mechanisms as required by the Public Finance Management Act and

County Government Regulations, 2015. Under Section 158(1)(a), an accounting officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanisms; and under Section 158(1)9b), the county government entity develops a system of risk management and internal controls that build robust business operations.

Further, there was no documented system of risk management or internal controls to support robust and sustainable business operations.

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

### **Management Response**

The Municipality prepared a risk management policy which includes implementation strategies. The Municipality is in the process of reviewing the same in order to better serve the Municipality as the management assumes more responsibilities and identify gaps in its day-to-day operations.

### **Committee Observations**

The Committee observed that the Municipality submitted their Risk Management policy.

### **Committee Recommendations**

**The Committee recommends that the matter be marked as resolved.**

#### **2. Lack of Data Protection Policy**

The audit revealed that the Municipality did not have a formally documented Data Protection Policy. Further, there were no internal guidelines or documented procedures outlining how personal data was collected, processed, stored, or shared, contrary to Regulation 23 of the Data Protection Regulations, 2021.

In the absence of a documented policy, the entity is exposed to the risk of non-compliance with data protection requirements and potential misuse or mishandling of personal data.

In the circumstances, there is high risk of unauthorized access, misuse, or breach of personal data.

### **Management Response**

The Municipality is in the process of developing and formalizing a comprehensive Data Protection Policy. Currently the Municipality applies the County Government ICT policy and strategies.

### **Committee Observations**

The Committee observed that the management was in the process of developing and formalizing a comprehensive Data Protection Policy.

**Committee Recommendations**

**The Committee recommends that the Board of Directors ensures that the Municipality puts in place all internal control systems such as a Data Protection 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.**

### **2.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MUNICIPALITY OF MURANG'A FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Murang'a for financial year 2024/2025. He was accompanied by –

- |                      |   |
|----------------------|---|
| 1. Mr. James Gatuna  | - CECM Lands                            |
| 2. Mr. Bernard Mugo  | - Municipal Manager                     |
| 3. Mr. Stephen Maina | - Finance Officer Murang'a Municipality |

#### **REPORT ON THE FINANCIAL STATEMENTS**

The Auditor-General rendered a **qualified opinion** on the financial statements of the Municipality of Murang'a for the period under review on the following basis –

##### **1. Inaccuracies in the Presentation and Disclosures of the Financial Statements**

Review of the financial statements for the year ended 30<sup>th</sup> June, 2025 revealed presentation and disclosure anomalies as follows:

- I. The financial statements did not reflect the financial years of audit, under Note 18(b) and Note 19.
- II. There were missing page numbers on pages xxi, xxiii, xxv, xxvii
- III. Management did not comply with the recommended presentation template since the statement changes in net assets, statement of cashflows and key entity information and management were not printed on new pages

In the circumstances, the financial statements submitted were not presented in the format recommended by the Public Sector Accounting Standards Board (PSASB)

##### **Management Response**

(I-III) The financial statements have been amended and the above anomalies have been addressed.

##### **Committee Observations**

The Committee observed that the financial statements were amended and presented in the format recommended by the Public Sector Accounting Standards Board (PSASB).

##### **Committee Recommendations**

**The Committee recommends that-**

- i. **the Accounting Officer to take appropriate administrative action on responsible officers within the Accounts and Finance department who fail to keep complete financial records in accordance with section 156(1) of the Public Finance Management Act, Cap.412A and in accordance 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 Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties and 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; and**
- iv. **the Accounting Officer enhance the capacity of in-post officers preparing financial statements to comply with the requirements of the Public Sector Accounting Standards and should further invest in technology to enhance efficiency and improve the accuracy of financial statements.**

## **2. Unconfirmed Depreciation**

The statement of financial position reflects property, plant and equipment amounting to Kshs. 148,883,076 as disclosed in Note 23 to the financial statements. The audit revealed that depreciation of Kshs. 211,834 was charged on computers. However, management had not developed and approved a depreciation policy specifying the useful life of assets, methods of depreciation, and treatment of assets in the first and last year of their useful life.

In the circumstances, the accuracy and appropriateness of the depreciation charge of Kshs. 211,834 could not be confirmed.

### **Management Response**

The County Executive is in the process of undertaking valuation of assets for the county. Once completed, the valuation will assist the management to develop, approve and implement a comprehensive depreciation policy.

Currently, the management uses the Roadmap guidelines on Transition from Cash to Accrual Accounting by National and County Governments and their Respective Entities.

### **Committee Observations**

The Committee observed-

- i. asset valuation process was not completed
- ii. that Murang'a Municipality did not have a depreciation and amortization policy
- iii. the Municipality uses the roadmap guidelines on transition from Cash to Accrual Accounting by National and County Governments and their Respective Entities

### **Committee Recommendations**

#### **The Committee recommends that-**

- i. **the Governor should ensure that the Municipality puts in place an asset management policy within 60 days of the adoption of this report to guide on the valuation, amortization, depreciation of assets;**
- 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 should ensure that the valuation of all assets is done and the valuation report is submitted to the Auditor-General for verification within 60 days of the adoption of this report;**
- iv. **the Accounting Officer responsible for the Municipality should prepare and submit an updated assets register to the Auditor-General for verification. Auditor-General should provide a status update on the matter in the subsequent audit cycle; and**
- v. **the board of the Municipality 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**

Under Emphasis of Matter, the Auditor-General raises the following issue -

#### **1. Budgetary Control and Performance**

Review of the statement of comparison of budget and actual amounts revealed the following:

- i. The final receipts target on transfers from the County Government was Kshs. 103,441,824 against actual receipts of Kshs. 58,608,421, resulting in under absorption of Kshs. 44,833,403 or 43% of the target.
- ii. The final recurrent expenditure budget was Kshs. 73,307,233 against actual expenditure of Kshs. 55,702,242, resulting in under-expenditure of Kshs. 17,604,991 or 24%.
- iii. Final capital expenditure budget was Kshs. 45,371,724 against actual expenditure of Kshs. 9,878,794, resulting in under-expenditure of Kshs. 35,493,030 or 78%.

- iv. The budget prepared was not balanced, with total budgeted receipts of Kshs. 103,441,824 against total expenditure budget of Kshs. 118,679,057, resulting in a deficit of Kshs. 15,237,233, contrary to Regulation 31(c) of the Public Finance management Regulations, County Governments 2015.

In the circumstances, failure to receive revenue as budgeted and under-expenditure may have hindered the municipality's ability to implement planned programs and deliver services effectively.

### **Management Response**

The under absorption was due to delay in exchequer release. The Kenya Urban Support Program (KUSP)-Urban Development Grant (UDG) donor fund amounting to Kshs. 35,371,824 had been budgeted for but it was never received within the financial year 2024/25, hence the under-expenditure of Kshs. 35,493,030.

Initially the Donor Fund KUSP-Urban Institutional Grant (UIG) amounting to Kshs. 14,000,000 had been included in the Municipal budget. During the supplementary budget preparation, the same was moved to the department of Lands, Physical Planning and Urban Development according to the KUSP programme Operations Manual. Adjustments were also made on the use of goods amounting to Kshs. 1,237,233. Hence the deficit of Kshs. 15,237,233.

### **Committee Observations**

The Committee observed that there was an under-performance of Kshs. 44,833,403 or 43% of the budget and an under-expenditure of Kshs. 35,493,030 or 78% of the budget.

### **Committee Recommendations**

**The Committee recommends that-**

- i. **The Governor ensures that the Accounting Officer ensures 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 Standards Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares their financial statements under the accrual basis of accounting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. **The Governor ensures that the Accounting Officer complies 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 Management Act on penalties for offences shall apply.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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 Open an Interest-Bearing Project Bank Account**

The statement of financial position reflects cash and cash equivalents of Kshs. 62,433 as disclosed under Note 16. However, review of the Municipality's operations bank account revealed that it was not an interest-bearing account, contrary to clause 24.3 of the Kenya Urban Support Programme (KUSP) Financial Management Procedures Manual, 2017 which states that the operations of a project bank account would be from an interest-bearing account operated by the PCT at a bank as per Treasury policies and Public Finance Management Act, 2012.

In the circumstances, management was in breach of the agreed loan agreement conditions.

### **Management Response**

The Municipality operations bank account No. 1259504336 was opened to facilitate the running of day-to-day municipal operations. On enquiring from several commercial banks, we were informed that an interest-bearing bank account would require the funds to be deposited in a fixed period of time without withdrawal which might affect the daily operations of the Municipality.

### **Committee Observations**

The Committee observed that the Municipality was operating a non-interest-bearing bank account contrary to the loan agreement with KUSP.

### **Committee Recommendations**

**The Committee recommends that the Municipality opens a fixed bank account in its name and the Auditor-General to keep this matter in view in the subsequent audit cycle, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offenses shall apply.**

### **2. Lack of Operational Autonomy of Murang'a Municipality**

The Municipality was granted its Municipal Charter on 3<sup>rd</sup> December 2019 through Gazette Notice No. 11, which was expected to provide operational independence from the County Executive. However, review of its operations revealed lack of autonomy, as the Municipality's budget was prepared and controlled by the County Executive without approval of the Municipality Board. In addition, the County Executive continued to perform several functions transferred to the Municipality under Section 5 of the

Municipal Charter, including regulation and provision of refuse collection and solid waste management services, development and enforcement of municipal plans and development controls, advertisement, and construction and maintenance of street lighting, This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipality Boards executive authority as delegated by County Executives.

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

### **Management Response**

The Municipality has a duly approved budget.

We acknowledge the criteria in Sections 12(1) and 12(2) of the Urban Areas and Cities Act, 2011, which vest the management of a municipality in the County Government, administered by a constituted Board, an appointed Manager, and designated staff, while granting the Board corporate status with perpetual succession and the capacity to perform its functions independently. The Municipal Charter of 2019 marked a significant milestone in establishing Murang'a Municipality's framework for operational independence, aligning with the Act's intent to empower local governance. While transitional challenges have arisen in fully delineating roles, particularly in budget processes and function transfers, management has made substantive progress towards autonomy. Notably, the County Department of Environment is actively collaborating with the Municipality to enhance refuse collections and solid waste management services, ensuring seamless quality delivery during this integration phase. This partnership leverages shared expertise without duplicating efforts, fostering efficiency rather than undermining the Board's authority. Furthermore, ongoing consultations between the County Executive, Municipal Board and relevant stakeholders are addressing resource allocation and functional handovers to secure full autonomy, including streamlined budget approvals and direct implementation of transferred mandates. These efforts demonstrate a commitment to the Charter's provisions, with the Board already exercising oversight in strategic planning and service monitoring, even as administrative alignments continue.

### **Committee Observations**

The Committee observed that the query remains unresolved as the County Government of Murang'a has yet to fully operationalize the Municipality of Murang'a.

### **Committee Recommendations**

**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 to keep this matter in view and report in the subsequent audit cycle.**

### **3. Non-Compliance with Data Controller Registration Requirements**

Audit revealed that in the financial year under review, the management of Murang'a Municipality processed payment of allowances for which information was collected from the payees. Management did not have a certificate of registration as a data controller from the ODPC, as required under Section 18 of the Data Protection Act, 2019. Further, no application for registration had been submitted, and no evidence was provided to confirm compliance with statutory registration requirements.

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

#### **Management Response**

The Municipality acknowledged the statutory requirements under Section 18 of the Data Protection Act, 2019, with respect to data controller registration. During the period under review, the Municipality collected limited personal information solely for internal administrative purposes relating to payment processing and facilitation of service delivery. The Municipality had initiated internal consultations on data protection compliance, including assessment of the requirement for formal registration, as part of broader efforts to align municipal operations with the Data Protection Act, 2019. However, the registration process had not been finalized at the time of the audit. To ensure full compliance going forward, the Municipality has initiated the registration process with the Office of the data Protection Commissioner (ODPC), with documentation and application currently under preparation and review. The Municipality has also designated a Data Protection Compliance Officer to oversee data governance practices and compliance with the Act, and commenced development of internal data protection policies and procedures. Additionally, the Municipality has undertaken staff sensitization on personal data handling, storage, and security protocols, to ensure improved controls for data collection and management to guarantee privacy and confidentiality of personal information. The Municipality remains committed to full compliance with applicable laws and will ensure the registration certificate is obtained and operational controls enhanced within the current financial year.

#### **Committee Observations**

The Committee observed that the Municipality did not comply with requirements of Section 18 of the Data Protection Act at the time of audit.

#### **Committee Recommendations**

**The Committee recommends that the Board of Directors and the Managing Director ensure that the Municipality complies with the provisions of the Data**

**Protection Act and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.**

## **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 Data Protection Policy**

Audit revealed that the Murang'a Municipality did not have a formally documented Data Protection Policy. Further, there were no internal guidelines or documented procedures outlining how personal data was collected, processed, stored, or shared, contrary to Regulation 23 of the Data Protection Regulations, 2021. In the absence of a documented policy, the entity is exposed to the risk of non-compliance with data protection requirements and potential misuse or mishandling of personal data.

In the circumstances, there is high risk of unauthorized access, misuse, or breach of personal data.

### **Management Response**

The Municipality is in the process of developing and formalizing a comprehensive Data Protection Policy, together with supporting internal guidelines and procedures to govern the handling of personal data in line with the Data Protection Act and the Data Protection Regulations, 2021.

### **Committee Observations**

The Committee observed that the Municipality did not have a Data Protection Policy in place which put a high risk of unauthorized access, misuse, or breach of personal data.

### **Committee Recommendations**

**The Committee recommends that the Board of Directors and the Managing Director ensure that the Municipality complies with the provisions of the Data Protection Act and have a Data Protection Policy. Evidence of the same should be provided to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.**

## CHAPTER THREE: HOSPITALS

### 3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KANDARA SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Friday, 13<sup>th</sup> February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kandara Sub-County Hospital for the Financial Year 2024/2025. The following officers accompanied the Governor—

1. Prof. Kiarie Mwaura - CECM Finance

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **Adverse Opinion** on the financial statements of Kandara Sub-County Hospital for the financial year on the following basis—

##### 1.0 Inaccuracies in the Financial Statements

The financial statements had the following inaccuracies.

##### 1.1 The Statement of Cashflows

The statement of cashflows for the year ended 30 June 2025, reflects cash and cash equivalents balance of Kshs. 645,973. However, on casting down, the balance is Kshs. 513,1999 resulting to unexplained and unreconciled variance of Kshs. 132,774. In addition, the comparative amount of the statements of cashflows is overcasts by Kshs. 740. Further, the cashflows from investing activities includes Kshs. 9,090,000 being a donation of a motor vehicle that did not involve actual cash movement.

##### Management Response

The Financial statements have been amended and the comparative balances in financial statements provided for the year ended 30 June 2024.

##### Committee Observations

The Committee observed that the statement of cash flows for the year ended 30<sup>th</sup> June 2025, reflects errors of casting.

##### Committee Recommendations

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer to 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 company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company

## **1.2 Variance Between the Audited and Amended Financial Statements**

The amended/revised financial statements after audit had variances with the set that had been submitted within the statutory period on 29 August, 2025. However, the amendments were not supported with journal entries and schedules in the items shown below. In addition, the revised financial statements amounts were not supported with revised accounting ledgers.

| <b>Financial Statements Items</b>      | <b>Audited Financial Statements (Kshs)</b> | <b>Amended Financial Statements (Kshs)</b> | <b>Variance</b> |
|--|--|--|-----------------|
| Transfer from County Government        | Nil  | 5,844,000                                  | (5,844,00)      |
| Public Contributions and Donations     | 10,574,500                                 | 9,090,000                                  | 1,484,500       |
| Rendering of Services                  | 22,542,805                                 | 21,155,285                                 | 1,387,520       |
| Medical/Clinical Costs                 | 15,398,970                                 | 15,048,470                                 | 350,500         |
| Board of Management Expenses           | 232,000                                    | 300,000                                    | 68,000          |
| General Expenses                       | 3,912,418                                  | 4,413,200                                  | (500,782)       |
| Receivables from Exchange Transactions | Nil  | 4,456,480                                  | (4,456,480)     |
| Property, Plant and Equipment          | 62,652,620                                 | 61,088,500                                 | 1,564,120       |
| Accumulated Surplus                    | 12,720,752                                 | 15,474,950                                 | (2,754,198)     |
| Capital Fund                           | 51,123,425                                 | 51,262,087                                 | (138,662)       |

In the circumstances, the accuracy and validity of the respective financial statements amounts could not be confirmed.

#### **Management Response**

Management attached the journal entries supporting the amendments to the Financial Statements.

#### **Committee Observations**

The Committee observed that management attached the journal entries supporting the amendments to the Financial Statements.

#### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the Accounting Officer to 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 company.

## **2.0 Undisclosed Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 32 to the financial statements reflects Kshs. 61,088,500 for property, plant and equipment as at 30 June,

2025. However, the Hospital was noted to have land and buildings, that were not disclosed in the financial statements.

In the circumstances, the accuracy, ownership and completeness of property, plant and equipment balance of Kshs. 61,088,500 could not be confirmed.

### **Management Response**

The County Government is in the process of engaging valuers to carry out valuation of assets whose value cannot be ascertained using the existing documents.

The title to the land and buildings are still with the Ministry of Health of the National Government awaiting transfer of devolved assets through Inter-Governmental Relations Technical Committee (IGRTC).

### **Committee Observations**

The Committee observed that management did not carry out valuation of land and buildings as there were no valuers to carry out the valuation of assets and that the title to the land and buildings are still with the Ministry of Health of the National Government.

### **Committee Recommendations**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages with the Ministry of Health of the National Government and IGRTC to ensure the transfer of ownership documents of land and buildings 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 that the management of the hospital undertakes the valuation of all assets of the hospital and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- 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 Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

### **3.0 Unsupported Inventories Balances**

The statement of financial position reflects an amount of Kshs. 2,674,012 being inventories as per Note 31 to the financial statements. Audit review to verify the accuracy and ownership of the inventories balance revealed that the balance as disclosed was not supported by appropriate physical inventory counts and inventory system records.

In the circumstances, the accuracy and completeness of inventories balance of Kshs. 2,647,012 could not be confirmed.

#### **Management Response**

Physical inventory counts were conducted at all stores at Kandara Sub-County Hospital and the stock count sheets availed for audit review. Management has instituted proper mechanisms to ensure that inventory and stock records are accurately updated to reflect actual stock movement during the year.

#### **Committee Observations**

The Committee observed that Management has instituted proper mechanisms to ensure that inventory and stock records are accurately updated to reflect actual stock movement during the year.

#### **Committee Recommendations**

The Committee recommends that-

- i. The Governor, through the Accounting Officer, should ensure compliance with regulation 104(1) of the Public Finance Management (County Government) Regulations which states that the accounting officer of a procuring entity to set up an inventory management system which shall be managed by the head of the procurement function, for the purpose of control and managing its inventory, stores; and
- ii. 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.

**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 –

**1.0 Non-Compliance with Kenya Quality Model for Health Policy Guidelines**

Assessment of the hospital’s services, equipment, and staffing levels indicated that during the year under review, the facility failed to meet the Kenya quality Model for Health Policy Guidelines, primarily due to staffing shortages as detailed below;

| Item Description                                | Level 3 Standard | Current Number | Variance |
|---|------------------|----------------|----------|
| Medical Officers                                | 2                | 4              | -2       |
| Theatre Nurses                                  | 8                | 0              | 8        |
| Medical Laboratory Technologists                | 10               | 8              | 2        |
| Kenya Registered Community Health Nurses        | 19               | 36             | -17      |
| Clinical Officers Pediatrics                    | 1                | 0              | 1        |
| Pharmaceutical Technologists                    | 4                | 8              | -4       |
| Orthopedic Technologists                        | 1                | 0              | 1        |
| General Physiotherapists                        | 3                | 1              | 2        |
| Occupational Therapists                         | 3                | 1              | 2        |
| Dental officer                                  | 1                | 0              | 1        |
| Nutrition and Diabetics Officers                | 2                | 2              | 0        |
| Support Staff                                   | 10               | 9              | 1        |
| Mortuary Attendants                             | 2                | 0              | 2        |
| Housing Staff at least two (2) Members of Staff | 2                | 0              | 2        |
| <b>Total</b>                                    | <b>70</b>        | <b>62</b>      | <b>8</b> |

Further, whereas the financial statements indicate that Kandara Sub County Hospital is a Level 4 hospital its registration with medical practitioners and dentist council under serial number 6900442 categorizes it under category 3A.

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

**Management Response**

The management requested for additional staff from the County Public Service Board as it is the one vested with power to recruit staff.

**Committee Observations**

The Committee observed that the Hospital’s staff complement did not meet the requirements of the Kenya Quality Model for Health.

**Committee Recommendations**

The Committee recommends that—

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

**2.0 Failure to Adhere to the Effectiveness of Implementation of Audit Recommendations**

Management has not submitted a report on how it has addressed the Senate and County Assembly recommendations on the Auditor-General audit reports for any of the years including 2023/2024. This is contrary to Section 31(1)(a) of the Public Audit Act, 2015 which states that within three months after Parliament has debated and considered the final report of the Auditor-General and made recommendations, a State Organ or a public entity that has been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year’s audit.

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

**Management Response**

The recommendations arising from the recommendations for the audit report for the financial year 2023/2024 are outlined below for implementation.

|    | <b>Financial Year</b> | <b>Audit Issue</b>  | <b>Status</b>  |
|----|-----------------------|---|--|
| 1. | 2023/2024             | Presentation and inaccuracies in the financial statements | The financial statements were amended and the observations raised were addressed in revised Financial Statement. |

|    |           |  |   |
|----|-----------|--|---|
| 2. | 2023/2024 | Misstatement of property, Plant and Equipment Balance                | The title to the land and buildings are still with the Ministry of Health of the national government, awaiting transfer of devolved assets through the Inter-Government Relations Technical Committee (IGRTC)   |
| 3. | 2023/2024 | Lack of Ownership Documents  | The title to the land and buildings are still with the Ministry of Health of the national Government awaiting transfer of devolved of assets through Inter-Government Relations Technical Committee (IGRTC)   |
| 4. | 2023/2024 | Non-Compliance with Kenya Quality Model for Health Policy Guidelines | The hospital is registered as Level 3A facility.<br>Staff performance appraisals are conducted annually and forwarded to the county public service board.<br>IPC structure is in place with minutes for meetings held attached.<br>Construction of a Mortuary, Medical and Surgical wards, new born unit, theater and an accident and emergency department is ongoing.<br>The management requested for additional staff from the County Public Service Board as it is the one vested with power to recruit staff. |
| 5. | 2023/2024 | Inventory Balances   | The inventory count for pharmaceuticals was conducted and the report attached for audit review.<br>During the financial year under review, the audit committee's mandate had expired and the audit report could not be reviewed.  |

### Committee Observations

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

## **Committee Recommendations**

**The Committee recommends that-**

- i. The management adheres to Section 31(1)(a) of the Public Audit Act, 2015 which states that within three months after Parliament has debated and considered the final report of the Auditor-General and made recommendations, a State Organ or a public entity that has been audited shall, as a preliminary step, submit a report on how it has addressed the recommendations and findings of the previous year's audit;**
- ii. The Governor ensure that the Accounting Officer resolves any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- iii. The Governor should ensure that Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters.**

### **3.0 Failure to Retain Facilities Improvement Funds (FIF) at the Hospital**

Review of revenue records revealed that the Hospital collected a total of Kshs. 21,155,285 towards the health facilities improvement which include a total of Kshs. 21,155,285 that was transferred to County Revenue Fund. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that monies raised or received by or on behalf of Public Health Facilities be retained by the facility and be Paid into a separate facility improvement financing account.

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

### **Management Response**

Management confirms that revenue collected by Kandara Sub-County Hospital was not transferred to County Revenue Fund. Kandara Subcounty Hospital retains all revenue collected as per section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that the monies raised or received by or on behalf of public Health facilities be retained by the Facility.

### **Committee Observations**

The Committee observed that the monies collected by the Hospital totaling to Kshs. 21,155,285 were retained by the facility as per section 5(1) of the facilities Improvement Financing Act, 2023.

### **Committee Recommendations**

**Noting the mitigating measures, the Committee recommends the matter be marked as resolved.**

### **3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KIGUMO SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Friday, 13<sup>th</sup> February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Kigumo Sub-County Hospital for the Financial Year 2024/2025. The following officers accompanied the Governor—

1. Dr. Stephen Ngigi - Medical Superintendent Kigumo Hospital

#### **REPORT ON THE FINANCIAL STATEMENTS**

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Kigumo Sub-County Hospital for the financial year on the following basis—

##### **1. Valuation of Property, Plant and Equipment**

The statement of financial position and Note 32 to the financial statements reflects property, plant, and equipment with a closing balance of Kshs. 183,953,704. However, management did not provide a valuation report from a recognized and qualified valuer to support the stated value of the assets.

In the circumstances, the accuracy and completeness of the value of the property, plant and equipment amount of Kshs. 183,953,704 could not be confirmed.

##### **Management Response**

The County government is in the process of engaging valuers to carry out valuation of assets whose value cannot be ascertained using the existing documentation.

In addition, Ownership of most assets is still with the Ministry of Health of the National Government and we are still waiting for the finalization of the transfer of assets from the National Government through Inte-Government Relations Technical Committee (IGRTC).

##### **Committee Observations**

The Committee observed that management did not carry out valuation of land and buildings as there were no valuers to carry out the valuation of assets and that the title to the land and buildings are still with the Ministry of Health of the National Government.

##### **Committee Recommendations**

**The Committee recommends that-**

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

## **2. Uncollected Rental Income**

The statement of financial performance and Note 12 to the financial statements reflects a Nil balance in respect of revenue from rent of facilities. The audit verification revealed that the Hospital had allocated a hall to a private health care facility for the provision of dialysis services which a contract dated 12 June 2025, was in place. However, no rent income was received by the Hospital in spite of Clause 6.2 of the contract which required that the health care provider to cover the cost of utilities, including water and electricity attributable to its operations. In addition, the Hospital did not bill or collect any rent or utility charges.

In the circumstances, the regularity, accuracy and completeness of the Nil revenue from rent income could not be confirmed.

### **Management Response**

Kigumo subcounty hospital entered into a contract with Benacare limited for the provision of dialysis services. The hall that is being used for the dialysis services was provided as part of contract. The contract for the provision of dialysis services was formed on Build-Operate-Transfer (BOT) which formed the bases for the occupation of the hall.

A Build-Operate-Transfer (BOT) framework is a public-private partnership (PPP) model which a private entity finances, builds, and operates infrastructure for a fixed period, then transfers ownership back to the government.

## Committee Observations

The Committee observed that-

1. The Hospital had a Public-Private Partnership (PPP) with Bencare Limited for the provision of dialysis services.
2. The contract between the two entities was based on a Build-Operate-Transfer (BOT) framework.

## Committee Recommendations

The Committee recommends that the matter be marked as resolved.

## 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 law and Effectiveness of Upgrade of Hospitals

Scrutiny of services offered, equipment and number of members of staff at the Hospital revealed that during the year under review, the Hospital did not meet the requirements of the Kenya Quality Model for health Policy Guidelines due to staff deficits as analyzed in the table below.

| Item   | Required Number | Current Number | Variance |
|--|-----------------|----------------|----------|
| General Surgery                                | 1               | 0              | 1        |
| Pediatrics                                     | 1               | 0              | 1        |
| Anesthesia or Critical Care Specialist         | 1               | 0              | 1        |
| Pathologist                                    | 1               | 0              | 1        |
| Orthopedic Surgery                             | 1               | 0              | 1        |
| ENT Surgery                                    | 1               | 0              | 1        |
| Nephrologist                                   | 1               | 0              | 1        |
| Oral and maxillofacial Surgeon                 | 1               | 0              | 1        |
| Medical Officers                               | 14              | 4              | 10       |
| Dental Officers                                | 2               | 0              | 2        |
| Specialized Clinical Officers                  | 11              | 2              | 9        |
| Nurses   | 60              | 32             | 28       |
| Physiotherapists                               | 3               | 1              | 2        |
| Orthopedic and Trauma Technician/Technologists | 3               | 0              | 3        |
| Occupational Therapist                         | 3               | 0              | 3        |
| Speech Therapist                               | 1               | 0              | 1        |

Further, the Hospital lacked facility infrastructure listed in the table below.

|   |
|---|
| Advanced Life Support                               |
| X-Ray   |
| OPG/IOPA Services                                   |
| Pathology Services                                  |
| ENT Services  |
| Ophthalmology Services                              |
| Palliative Care                                     |
| Minore Theater                                      |
| Major Theaters                                      |
| Newborn Unit  |
| High Dependency Unit                                |
| Utility Vehicle                                     |
| Lifts Dedicated for patients use                    |
| Mortuary of at least 50 bodies and Autopsy Services |
| Security Alarm System                               |

In addition, the County Government of Murang'a has not formerly gazetted the Hospital as a Level IV facility.

In the circumstances, the Hospital do not meet the minimum requisite requirements of a Level IV Hospital

#### **Management Response**

The management requested for additional staffs from the County Public Service Board as it is the one vested with power to recruit staffs. This is to address the shortage to comply with the Kenya Quality Model for Health Policy Guidelines.

#### **Committee Observations**

The Committee observed that the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.

#### **Committee Recommendations**

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing

- existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward; and
- ii. Within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a sub-county 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.

## **2. Outstanding Receivables from Social Health Authority (SHA)**

The statement of financial position reflects receivables from exchange transactions amounting to Kshs. 3,688,038 relating to the Social Health Authority (SHA), as disclosed in Note 29 to the financial statements. These amounts represent debts owed to the Hospital by social Health Authority (SHA) for the financial year under review.

In the circumstances, failure by SHA to pay adversely affected the operations of the Hospital, limiting its ability to procure medicines, settle suppliers' dues, and maintain essential services to the public.

### **Management Response**

The County Executive has engaged the management of SHA to ensure prompt settlement of outstanding receivables as this is affecting all hospitals in the County

### **Committee Observations**

The Committee observed that SHA owes the hospital an amount of Kshs. 3,688,038 and management has engaged SHA to ensure prompt settlement of the outstanding receivables.

### **Committee Recommendations**

The Committee recommends that-

- i. the Accounting Officer should ensure timely submission of documents including evidence of resubmission and follow-up of rejected or partially approved SHA claims 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; and**

- ii. **the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit the outstanding amount. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle.**

### **3. Unutilized Assets**

The statement of financial position and Note 32 to the financial statements reflected property, plant and equipment (PPE) closing balance of Kshs. 183,953,704. However, the following non-current assets were not in use.

#### **3.1 Major and Minor Theaters**

Included in the PPE amount is Kshs. 9,920,432 being buildings and civil works which includes major and minor theaters. Audit revealed that construction of the major and minor theatres was completed and officially launched on 16 March, 2025. However, the facilities remained unutilized since they were not equipped with essential equipment such as theatre beds and other necessary medical equipment.

#### **Management Response**

The hospital management has submitted request to the County Executive Department of Health for the procurement of equipment needed to operationalize the new block. These requests outline the essential medical and non-medical items required to ensure the facility can function effectively and deliver quality services.

The management will continue to follow up with the relevant authorities to support timely approval and acquisition of the equipment. This process is aimed at ensuring the new block becomes fully functional as soon as possible for the benefit of patients and staff.

#### **Committee Observations**

The Committee observed that-

1. The major and minor theaters remained unused as they were not equipped with theater beds and other necessary medical equipment.
2. The hospital management has submitted requests to the County Executive Department of Health for the approval and acquisition of the equipment.

#### **Committee Recommendations**

**The Committee recommends that the Governor, through the CECM on matters Health, engage with the County Executive Department of Health to fast track the approval and acquisition of the equipment needed for the theaters to be functional.**

**Auditor -General to keep the matter in view and report to the Committee in the next audit cycle.**

### **3.2 Morgue**

Included in the PPE amount is Kshs. 9,920,432 being buildings and civil works which includes a morgue. Audit review revealed that the morgue had not been in use and was not equipped since it was built in 2018.

In the circumstances, the public missed out on quality medical services as a result of failure to equip and put the facilities into use.

### **Management Response**

The county government has advertised a tender to renovate the existing morgue so that it can be stored to proper working condition. The renovation is intended to improve the facility's standards and ensure it meets the required operational and public health guidelines.

The project is planned for implementation within the current financial period. Once completed, the renovated morgue will be ready for use and will better support the needs of the community and health services.

### **Committee Observations**

The Committee observed that the hospital management is planning for the renovation of the morgue during the financial year 2025/2026 to ensure it meets the required operational and public health guidelines.

### **Committee Recommendations**

**The Committee recommends that the Governor, through the CECM on matters Health, fast track the renovations on the morgue and the approval and acquisition of the equipment needed for the morgue to be functional. Auditor -General to keep the matter in view and report to the Committee in the next audit cycle.**

### **4. Incomplete Asset Register and Failures to Transfer Assets**

The statement of financial position reflects property, plant, and equipment amounting to Kshs. 183,953,704, as disclosed in Note 32 to the financial statements. However, examination of the assets register revealed that it was not comprehensive since it lacked key information as required under Regulation 170 of the Public Procurement and Asset Disposal Regulations, 2020. Some assets, such as laboratory equipment, were not recorded, while others lacked details of their acquisition costs. In addition, the Hospital had not transferred assets from the National and County Governments, since the land measuring approximately 10 acres and an ambulance remained registered under the County Government.

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

## **Management Response**

The hospital has an asset register in place and promptly updates it. All assets including computers, furniture, printers and other medical equipment were included in the financial statement under property plant and equipment on note 32 of the audited financial statements.

The county government is in the process of engaging valuers to carry out valuation of assets whose value cannot be ascertained using the existing documentation.

## **Committee Observations**

The Committee observed that the hospital management regularly updates its asset register, however has not updated their asset register due to lack of valuation.

## **Committee Recommendations**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages with the Ministry of Health of the National Government and IGRTC to ensure the transfer of ownership documents of land and buildings 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 that the management of the hospital undertakes the valuation of all assets of the hospital 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 Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

## **5. Non-Compliance with Data Controller Registration Requirements**

The audit established that in the financial year under review, the entity was actively processing data relating to patients despite not having obtained a certificate of registration as a data controller from the Office of the Data Protection Commissioner (ODPC), s required under section 18 of the Data Protection Act, 2019. Further, no

application for registration had been submitted, and no evidence was provided to confirm compliance with statutory registration requirements.

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

#### **Management Response**

Murang'a county government and its entities including Kigumo subcounty hospitals are registered as data controllers.

#### **Committee Observations**

The Committee observed that the hospital was not registered as a data controller yet processed patients' personal data contrary to the requirements as spelled out in under Section 18 of the Data Protection Act.

#### **Committee Recommendations**

**The Committee recommends that the accounting officer to make deliberate efforts to comply with section 18 of the Data Protection Act, 2019 and obtain a certificate of registration as a data controller from the Office of the Data Protection Commissioner (ODPC).**

#### **6. Failure to Retain Facilities Improvement Funds (FIF) at the Hospital**

Review of revenue records revealed that the Hospital collected a total of Kshs. 14,749,273 that was transferred to County Revenue Fund. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that monies raised or received by or on behalf of Public Health Facilities be retained by the Facility and be paid into a separate facility improvement financing account.

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

#### **Management Response**

Kigumo subcounty hospital retains all revenues collected as per section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that monies raised or received by or on behalf of Public Health Facilities be retained by the Facility and be paid into a separate facility improvement financing account.

#### **Committee Observations**

The Committee observed that the hospital management complied with Section 5(1) of the Facilities Improvement Financing Act, 2023 and retained the monies within the hospital.

#### **Committee Recommendations**

**Noting the mitigating measures, the Committee recommends the matter be marked as resolved.**

## **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 Data Protection Policy**

The audit revealed that the Hospital did not have a formally documented Data Protection Policy. In addition, there were no internal guidelines or documented procedures outlining how patients' data was collected, processed, stored, or shared, contrary to Regulation 23 of the Data Protection Regulations, 2021.

In the circumstances, the Hospital is exposed to the risk of non-compliance with Data protection requirements and potential misuse and mishandling of personal data.

### **Management Response**

Murang'a county government has developed data protection policy that is applicable for all county entities and a draft policy is awaiting approval by Murang'a County Assembly.

### **Committee Observations**

The Committee observed that the hospital did not have a Data Protection Policy in place to outline how patients' data was collected, processed, stored or shared. However, a draft policy is awaiting approval by the County Assembly.

### **Committee Recommendations**

**The Committee recommends that the County Executive Committee Member (CECM) - Health ensures that the hospital puts in place all internal control systems such a Data Protection Policy as provided under section 158 (1) of Public Finance Management (County Governments) Regulations, 2015 among others to guide the internal operations of the hospital. Further, the managements to submit evidence of the same to the Auditor-General for verification in the next audit cycle.**

### **2. Lack of Asset Tagging**

The statement of financial position reflects property, plant and equipment amounting to Kshs. 183,953,704, as disclosed in Note 32 to the financial statements, However, audit verification revealed that a sample of assets, including furniture and fittings, computers, and other equipment, had not been serialized or tagged for identification.

In the circumstances, the existence and effectiveness of an asset management system could not be confirmed.

### **Management Response**

Ownership of most assets is still with the Ministry of Health of the National Government and management is still waiting for the finalization of the transfer of assets from the National Government through Inter-Government Relations Technical Committee (IGRTC). Once done all the assets will be properly serialized and tagged showing their identification number, location and condition.

### **Committee Observations**

The Committee observed that the hospital had not tagged or serialized some of their assets for identification as ownership of most assets is still with the Ministry of Health of the National Government and management is still waiting for the finalization of the transfer of assets from the National Government through Inter-Government Relations Technical Committee (IGRTC).

### **Committee Recommendations**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages with the Ministry of Health of the National Government and IGRTC to ensure the transfer of ownership documents of land and buildings 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 that the management of the hospital undertakes the valuation of all assets of the hospital 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 Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

### **3.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MARAGUA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Friday, 13<sup>th</sup> February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Maragua Sub-County Level 4 Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officer—

1. Dr. Stephen K. Wachira - Medical Superintendent Maragua Level 4

#### **REPORT ON THE FINANCIAL STATEMENTS**

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Maragua Sub-County Level 4 Hospital for the financial year on the following basis—

##### **1. Unsupported Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 32 to the financial statements reflects Kshs. 142,277.962 in respect of property plant and equipment. Review of records revealed the following unsatisfactory matters.

##### **1.1 Unconfirmed Ownership of Land**

The property plant and equipment balance includes an amount of Kshs. 7,500,000 in respect of land upon which the Hospital is located. However, the said land is not recorded in its assets register. In addition, Management had not obtained the title deed transferred in its name in spite of the outcome of a succession case that declared the Hospital as one of the beneficiaries of land.

##### **Management Response**

Management has now recorded the land in the asset register to ensure completeness and accuracy of the asset records.

The Certificate of Grant was presented to the Registrar of Lands for registration of the title deed in the Hospital's name and the hospital is awaiting completion of the registration process.

##### **Committee Observations**

The Committee observed that the query remains unresolved as the hospital recorded the land after the audit process and had not obtained a title deed for the land.

##### **Committee Recommendations**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages with the Ministry of Health of the National Government and IGRTC to ensure the transfer of ownership documents of land 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 that the management of the hospital undertakes the valuation of all assets of the hospital 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 Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

### **1.2 Inadequate Breakdown of the PPE**

The property plan and equipment schedule includes Kshs. 120,679,888 and Kshs. 1,480,024 in respect of building and civil works and ICT equipment all totaling to Kshs. 122,177,912. However, the breakdown of costs per item details were missing in the Hospital's asset register and the financial statements amounts could therefore not be correlated.

### **Management Response**

Management has updated the asset register to include detailed cost breakdowns for building and civil works and ICT equipment.

### **Committee Observations**

The Committee observed that the cost breakdowns for building, civil works and ICT equipment had not been done during the year under review. This omission contravenes Section 136(1) of the Public Finance Management (County Government) Regulations, 2015, which requires entities to maintain a detailed fixed asset register showing the cost, description, location, and condition of each asset.

### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- ii. the Governor to make budgetary provisions for adjudication and valuation of assets to ensure a seamless process in the transfer of assets;
- iii. upon completion of valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and
- iv. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

### **1.3 Undisclosed Assets**

The Hospital's asset register indicated that it held in its custody and in good condition 52, 50 and 44 items relating to medical equipment, furniture and fittings and office equipment respectively of undetermined values which were not disclosed in the financial statements. It was apparent that the Hospital assets had been reflected in its register with nil balances without engaging a valuer to obtain their values for proper accounting and as a result, the Hospital could not comprehensively provide for their wear and tear.

### **Management Response**

It is true the assets had not been disclosed in the financial statement due to failure to have the value. The valuation of medical equipment, furniture and fittings and office equipment is ongoing in collaboration with the Departments of Health and Lands, Physical Planning and Urban Development. Upon completion of the valuation process, the asset register will be updated accordingly and the resultant values will be reflected in the financial statements.

### **Committee Observations**

The Committee observed that the valuation of assets had not been undertaken as there was no valuer. The hospital has however engaged the county valuer to undertake the valuation process of the assets.

### **Committee Recommendations**

**The Committee recommends that-**

- i. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report

to the Auditor- General for verification during the subsequent audit cycle;

- ii. upon completion of 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
- iii. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

#### **1.4 Lack of Asset Tagging**

Physical inspection of the Hospital assets in the month of November revealed that it had not comprehensively serialized or tagged all its assets for ease and clarity of identification. As a result, these assets could not be reconciled with the asset register provided for audit review.

In the circumstances, the accuracy, ownership and completeness of the property plant and equipment balance of Kshs. 142,277,962 could not be confirmed.

#### **Management Response**

Asset tagging is ongoing and scheduled to be finalized by the end of financial year.

#### **Committee Observations**

The Committee observed that the query remained unresolved as asset tagging was ongoing and will be finalized by the end of financial year 2025/2026.

#### **Committee Recommendations**

The Committee recommends that-

- i. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- ii. upon completion of 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
- iii. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section

149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

## 2. Expenditure Outside the Reporting Period

The statement of financial performance and as disclose in Note 15 to the financial statements reflects Kshs. 59,196,604 on medical/clinic costs. Included in the amount are expenses totaling Kshs. 1,273,875 as shown below which were incurred in previous financial years but were charged to the current financial year's expenditure thereby inflating the current year's expenses.

| PV No. | Account              | Description  | Amount (Kshs)    |
|--------|----------------------|--|------------------|
| 35     | Laboratory Chemicals | Supply of non-pharmaceutical items via Purchase requisition SR. NO. B15359 dated 02/04/24 Delivery note dated 20/05/2024 | 626,400          |
| 36     | Laboratory Chemicals | Supply of lab reagents via purchase requisition SR. NO. B09098 dated 13/05/24 delivery note dated 16/05/2024             | 503.475          |
| 7      | Medical Gas          | Supply of medical gas Purchase requisition SR.NO. B14917 dated 02/04/24 Delivery note dated 29/01/2024                   | 144,000          |
|        |                      | <b>Total</b>   | <b>1,273,875</b> |

In the circumstances, the current year's amount on medical/clinical costs of Kshs. 59,196,604 may have been overstated by Kshs. 1,273,875.

### Management Response

Management acknowledges that expenses totaling Kshs. 1,273,875 relating to prior financial years were inadvertently charged to the current year's medical/clinical costs. Management have reviewed the transactions and confirm that the total reported expenditure for the current year included these prior-expenditure charges. To address this, management will:

- i. Adjust the accounting records in the next financial period correctly, allocate prior-year expenses.
- ii. Strengthen internal review procedures to ensure that only current-year expenses are recorded in the relevant financial period.

### Committee Observations

The Committee observed that-

1. Expenses totaling Kshs. 1,273,875 incurred in previous financial years were charged to the current financial year's expenditure, thereby inflating the current year's expenses. This misallocation of expenses contravenes the accrual basis of accounting required by International Public Sector Accounting Standards (IPSAS), which mandates that transactions be recognized in the period to which they relate.
2. The Committee acknowledges management's admission of the error and its commitment to making corrective journal adjustments in the subsequent accounting period. However, the charging of prior year expenses to the current year indicates weaknesses in the Hospital's internal controls over expenditure recognition, accrual accounting practices, and period-end closing procedures.

### **Committee Recommendations**

#### **The Committee recommends that-**

- i. **the Governor ensures that the Accounting Officer to 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 company's financial statements of the subsequent year to correct the errors in order to reflect the true financial position of the company.**

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total actual expenditure on comparable basis of Kshs. 86,419,070 resulting to an under expenditure of Kshs. 9,826,083 or approximately 11%.

The underutilization affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

The under-expenditure was occasioned by delays in the disbursement of SHA payments. Management is engaging SHA management to ensure timely disbursement of payments going forward.

### **Committee Observations**

The Committee observed that the under-expenditure was as a result of delays in the disbursement of SHA payments.

### **Committee Recommendations**

**The Committee recommends that—**

- i. **the Accounting Officer should ensure timely submission of documents including evidence of resubmission and follow-up of rejected or partially approved SHA claims 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;**

- ii. the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle;
- iii. 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;
- iv. 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 Matters**

In the prior year’s audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk management and Governance respectively. Review of the status during audit of the hospital in 2024/25 revealed that the following matters remained unresolved.

|   | <b>Financial Year</b> | <b>Audit Issue</b>   |
|---|-----------------------|--|
| 1 | 2023/2024             | Transfer from County Government                                |
| 2 | 2023/2024             | Grants from Donors and Development Partners Amounts            |
| 3 | 2023/2024             | Undisclosed Waivers in the Financial Statement                 |
| 4 | 2023/2024             | Variance Between Financial Statements and Supporting Schedules |
| 5 | 2023/2024             | Unsupported Capital Fund                                       |
| 6 | 2023/2024             | Unsupported Property, Plant and Equipment Balance              |
| 7 | 2023/2024             | Failure to Undertake Stock Taking                              |
| 8 | 2023/2024             | Inaccurate Presentation of Financial Statements                |
| 9 | 2023/2024             | Lack of Risk Management Policy                                 |

**Management Response**

The table below presents the status of prior year audit matters, which have been resolved at various stages during the period under review.

|    | <b>Financial Year</b> | <b>Audit Issue</b>   | <b>Status</b>   |
|----|-----------------------|--|---|
| 1. | 2023/2024             | Transfers From County Government                               | The variance of Kshs. 2,196,927 was reconciled, financial statement amended and audited.  |
| 2. | 2023/2024             | Grants from Donors and Development Partners Amounts            | The variance of Kshs. 114,000 was reconciled, financial statement amended and audited.  |
| 3. | 2023/2024             | Undisclosed Waivers in the Financial Statement                 | The waivers are being disclosed in the financial statement.   |
| 4. | 2023/2024             | Variance Between Financial Statements and Supporting Schedules | The variances were reconciled, financial statement amended and audited.   |
| 5. | 2023/2024             | Unsupported Capital Fund                                       | The schedule for capital fund of Kshs. 127,288,929 indicating the buildup of the balance was not provided. We are in the process of reconciling the statement of changes in net assets with the fund balances to show the movement of the capital fund balance. |
| 6. | 2023/2024             | Unsupported Property, Plant and Equipment Balance              | Asset register to support property, plant and equipment is up to date.  |
| 7. | 2023/2024             | Failure to Undertake Stock Taking                              | Stock taking is being done at the end of financial year.  |
| 8. | 2023/2024             | Inaccurate presentation of financial statements                | The financial statement is being prepared in accordance with IPSAS and inaccuracies has been eliminated.  |
| 9. | 2023/2024             | Lack of risk management policy                                 | The risk management policy for Murang'a County Government and its entities has been developed and is awaiting County Executive Committee and the County Assembly approval   |

### **Committee Observations**

The Committee observed that the management did not resolve some of the issues raised by the auditor general in the previous financial year.

### **Committee Recommendations**

**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. Non-Compliance with The Levy Order, 2023**

The statement of financial performance and as disclosed in Notes 15, 19 and 21 to the financial statements reflects Kshs. 59,196,604, Kshs. 1,018,586 and Kshs. 11,823,655 in respect of medical/clinical costs, repairs and maintenance and general expenses respectively all totaling Kshs. 72,038,845. Included in this amount is Kshs. 65,053,085 incurred in the procurement of goods and services. However, the Hospital failed to recover and remit the capacity building levy to Public Procurement Regulatory Authority contrary to paragraph 5&6 of Public Procurement Regulatory Authority Circular No. 01/2024 which provides that procuring entities shall remit the Levy amounts to the Authority through the eCitizen payment platform by the 20<sup>th</sup> day of the subsequent month.

In the Circumstances, management was in breach of the law.

### **Management Response**

The non-compliance with the Levy Order, 2023 was noted. Management has since implemented the requirements of the Levy Order for all procurements and has established mechanisms to ensure full compliance going forward.

### **Committee Observations**

The Committee observed that the Hospital failed to deduct and remit the requisite capacity building levy of 0.03% to the Public Procurement Regulatory Authority (PPRA), contrary to Paragraphs 5 and 6 of the PPRA Circular No. 01/2024; however,

the hospital has since commenced the recovery and remitting of the levy under the current financial year 2025/2026.

### **Committee Recommendations**

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

#### **2. Non-Compliance with Law on Ethnic Diversity**

Review of the Hospital management Board Composition revealed that all the eight members of the Board were from the same ethnic community contrary to Article 232(1) of the Constitution which provided that recruitments in public service should include representation of Kenya's diverse communities and affording equal opportunities for appointment at all levels of the public service of the members of all ethnic groups.

### **Management Response**

Vacancies for the board were advertised for representatives of the interest groups such as faith-based organization, non-government organizations, persons living with disability, women organizations and joint forum of health professional bodies who were residents of hospital catchment area. The appointed members were picked from the applicants who were members of the local community.

### **Committee Observations**

The Committee observed that all the eight members of the Board were from the same ethnic community contrary to Article 232(1) of the Constitution.

### **Committee Recommendations**

**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.**

**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 Hospital Operations revealed that Maragua Sub-County Hospital did not have an approved Strategic Plan and an Operational Plan in place, which are essential for guiding daily operations and setting long-term objectives.

In the absence of these key planning documents the Hospital's ability to provide clear direction, measure performance, and communicate priorities and goals to stakeholders could not be confirmed.

### **Management Response**

The Hospital's Strategic Plan and operational plan has since been approved by Maragua Hospital Board and is currently operational.

The operational plan for financial year 2025/2026 was prepared in line with the Strategic Plan.

### **Committee Observations**

The Committee observed that the hospital has since approved an operational Strategic Plan.

### **Committee Recommendations**

**Noting the mitigating measures, the Committee recommends that the matter be marked as resolved.**

### **2. Variance Between Bin Card Records and Physical Stock Count**

The statement of financial position and as disclosed in Note 31 to the financial statements reflects Kshs. 18,779,421 in respect of inventories which includes Kshs. 14,654,164 on General Supplies. Review of annual stock take reports conducted on 30<sup>th</sup> June 2025 revealed that the General Supplies items counted differed with the quantities recorded in the bin cards by 1,073 items. It is apparent that the store keepers do not promptly update the movement in inventory.

In the circumstances, Management has not instituted proper mechanisms to ensure that inventory and stock records are accurately updated to reflect actual stock movements during the year.

### **Management Response**

The variance between the bin card records and the physical stock count was noted. Management has since updated the bin cards and reconciled them with the physical stock to accurately reflect the actual stock position.

Management has instituted proper mechanisms to ensure that inventory and stock records are accurately updated to reflect actual stock movements during the year.

**Committee Observations**

The Committee observed that Management has since updated the bin cards and reconciled them with the physical stock to accurately reflect the actual stock position.

**Committee Recommendations**

**The Committee recommends that Management should strengthen inventory management controls through automation to ensure timely updating of bin cards for all stock movements, regular periodic reconciliations between physical stock and records, and enhanced supervision and review of storekeeping functions.**

### **3.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MURANG'A LEVEL 5 SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Murang'a County, Hon. Dr. Irungu Kang'ata, CBS, appeared before the Committee on Friday, 13<sup>th</sup> February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Murang'a Level 5 Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officer—

1. Dr. Florence Kagwaini - Medical Superintendent Murang'a Level 5

#### **REPORT ON THE FINANCIAL STATEMENTS**

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Murang'a Level 5 Hospital for the financial year on the following basis—

##### **1. Failure to Disclose Assets in the Financial Statements**

The statement of financial position and as disclosed in Note 32 to the financial statements reflects Kshs. 188,482,758 in respect of property, plant and equipment. Examination of the assets register revealed that the Hospital is in possession of motor vehicles, medical equipment, furniture and computer accessories of undetermined values. The Hospital also has staff quarters valued at Kshs. 146,680,142 which Management say belong to the Ministry of Housing, but are in their asset register. All these have been included in the financial statements despite them being in use and in good condition.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 188,482,758 could not be confirmed.

##### **Management Response**

The hospital is in its second year of operation since implementation of Facilities improvement financing, they are in process of listing assets and valuation process is underway, and shall include the unvalued assets in the financial statements in 2025/2026 financial year.

Management acknowledged that staff quarters are within hospitals asset register though they belong to the ministry of housing. They have been removed from the hospital's assets register and added as an addendum as a disclosure.

##### **Committee Observations**

The Committee observed that-

1. The process of listing assets and valuation is ongoing and will be concluded in the Financial Year 2025/2026.

2. The hospital has staff quarters within the hospital but they belong to the Ministry of Housing.

### **Committee Recommendations**

**The Committee recommends that-**

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

### **Emphasis of Matter**

#### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total actual Kshs. 372,654,530 resulting to an under-expenditure of Kshs. 59,025,665 or approximately 16%.

From the above analysis, Murang'a Level 5 Hospital under absorbed the approved budget Kshs. 59,025,665. This is an indication of lack of proper planning for efficient and effective budgetary executive budgetary execution leading to denied promised and expected services to the citizens of Murang'a County.

### **Management Response**

The underutilization of the budget was due to delayed reimbursements of Kshs. 120,333,438 as indicated in the Statement of Financial Position and Note 29 which could have been used to settle the pending bills to realize an optimum budget utilization.

The hospital management has been engaging SHA management demanding reimbursement of its dues.

## **Committee Observations**

The Committee observed that the under-utilization of the budget was as a result of delays in the disbursement of SHA payments of Kshs. 120,333,438.

## **Committee Recommendations**

The Committee recommends that—

- i. the Accounting Officer should ensure timely submission of documents including evidence of resubmission and follow-up of rejected or partially approved SHA claims 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;**
- ii. the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle;**
- iii. 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;**
- iv. 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 Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk management and Governance

respectively. Review of the status during audit of the Hospital 2024/25 revealed that the following matters remained unresolved.

|   | <b>Financial Year</b> | <b>Audit Issue</b>  |
|---|-----------------------|---|
| 1 | 2023/2024             | Variance Between Financial Statements Balances and Supporting Schedules |
| 2 | 2023/2024             | Inconsistencies in Inventory Court                                      |
| 3 | 2023/2024             | Unsupported Receivables from exchange Transactions                      |
| 4 | 2023/2024             | Failure to Prepare a Procurement Plan                                   |
| 5 | 2023/2024             | Deficiencies in Implementation of Universal Health Coverage             |
| 6 | 2023/2024             | Incomplete Accounting Records   |

### **Management Response**

The variances between financial statement and schedules were because of adjustment which were not done, the adjustments have been done and schedules are in agreement with the financial statements as per attached schedules.

The variances between the quantities recorded in the stock table sheet and bin cards were reconciled and the hospital is currently using the Afya ke system which in a great way has eliminated those kinds of anomalies.

The receivables from exchange transactions balance of Kshs. 22,262,450 relates to amounts owed to the hospital by NHIF. This is well captured in the receivable's ledger attached.

The management acknowledges that during transition to facilities Improvement Financing, the hospital was relying on consolidated procurement plan for the health department. Currently management is using their own procurement plan complying with Regulation 40. (1) of the Public Procurement and Asset Disposal Regulations, 2020.

The hospital has deficit staffing contrary to what is required by Kenya Quality Model for Health Policy Guidelines. The issue has been addressed in the response for year ended June 2025.

The details related to repairs and maintenance expenditure such as payment voucher numbers, dates, cheque numbers and invoice numbers were included in the respective schedules.

### **Committee Observations**

The Committee observed that the management did not resolve some of the issues raised by the Auditor General in the previous financial year.

## **Committee Recommendations**

### **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-Compliance with The Levy Order, 2023**

The statement of financial performance and as disclosed in Note 21 to the financial statement reflects general expenses of Kshs. 35,255,174. Included in the amount is Kshs. 11,195,877 paid to suppliers of goods and services. However, the Hospital failed to recover and remit the capacity building levy to Public Procurement Regulatory Authority contrary to paragraph 5 and 6 of the Public Procurement Regulatory Authority Circular No. 01/2024 which provides the procuring entities shall remit the levy amount to the Authority through eCitizen payment platform by the 20<sup>th</sup> day of the subsequent month.

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

### **Management Response**

The management is committed to comply with the levy order 2023, and have managed to pay the same in respect to the period after audit.

### **Committee Observations**

The Committee observed that the Hospital failed to deduct and remit the requisite capacity building levy of 0.03% on these payments to the Public Procurement Regulatory Authority (PPRA), contrary to Paragraphs 5 and 6 of the PPRA Circular No. 01/2024. The Committee acknowledges management's commitment to comply with the levy requirements and notes that the Hospital commenced recovery and remittance of

the levy in the current financial year 2025/2026. However, this corrective action does not absolve the Hospital of its obligation to have complied during the period under review.

### **Committee Recommendations**

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

#### **2. Failure to Tag the Hospital Assets**

The statement of financial position and as disclosed in Note 32 to the financial statements reflects Kshs. 188,482,758 in respect to property, plant and equipment. Review of records and physical verification of the Hospital assets revealed that the assets, including furniture and fittings, computers and other equipment, had not been serialized or tagged for identification. This is contrary to paragraph 77(6 and 7) of the National Treasury guidelines on asset and liability management in the public sector dated March 2020 which provides that the Accounting Officer shall develop and implement an asset identification system and all assets purchased shall be identified/tagged upon receipt from suppliers and, before they are issued out to user departments. The tag number of each asset shall be included in the asset register.

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

### **Management Response**

The management appreciates there is no tagging of the assets for the hospital. They committed to do it within the current financial year 2025/2026.

### **Committee Observations**

The Committee observed that the query remained unresolved as asset tagging was ongoing and will be finalized by the end of financial year 2025/2026.

### **Committee Recommendations**

**The Committee recommends that-**

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

- iii. upon completion of valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and
- iv. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

### 3. Deficiencies in Implementation of Universal Health Coverage

Review of records and physical inspection of the Hospital assets to confirm effectiveness in service delivery, equipment used and medical specialists at the time of audit in the month of October 2025, revealed that the Hospital did not meet the requirements of Kenya Quality Model of health Policy guidelines due to staff deficits by five hundred and sixty-nine (569) staff members or 69% of the authorized establishment as shown below:

| Staff Requirements                       | Level 5 Standards | No. in Hospital | Variance   | Percentage (%) |
|--|-------------------|-----------------|------------|----------------|
| Medical officers                         | 50                | 11              | 39         | 78%            |
| Dental Officers                          | 30                | 1               | 29         | 97%            |
| Radiographers                            | 23                | 8               | 15         | 65%            |
| Nutritional & Dietetics Officers         | 38                | 7               | 31         | 81%            |
| Registered Clinical Officers             | 83                | 38              | 45         | 54%            |
| Physiotherapists                         | 17                | 7               | 10         | 59%            |
| Kenya Registered Community Health Nurses | 578               | 178             | 400        | 69%            |
| <b>Total</b>                             | <b>819</b>        | <b>250</b>      | <b>569</b> | <b>69%</b>     |

In the circumstances, the Hospital may not be in a position to deliver on its mandate.

#### Management Response

The hospital relies on the County Public Service Board (PSB) for recruitment of staff. Staff shortages have been adequately communicated and are gradually being addressed as the budgets allow. In the month of November 2025, the county government advertised for job vacancies to fill up some understaffing gaps in health department as per advertisement provided.

#### Committee Observations

The Committee observed that the Hospital's staff complement did not meet the requirements of the Kenya Quality Model for Health.

### **Committee Recommendations**

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward;
- 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 5 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.

#### **4. Non-Compliance with Law on Staff Ethnic Diversity**

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect Kshs. 4,363,000 in respect of employee cost. Review of the payroll and human resource records revealed that out of a total workforce of five hundred and seventy-six (576) employees, four hundred and ninety-four (494), accounting for 86%, comprised of staff drawn from one ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provided 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**

The staff recruitment is done centrally by the County Public Service Board.

The hospital management has escalated the findings to the relevant authorities to ensure compliance with Section 7(1) and (2) of national Cohesion and Integration Act, 2008

#### **Committee Observations**

The Committee observed that the hospital had 86% of the staff comprising of people drawn from one ethnic community.

### **Committee Recommendations**

**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. Undisclosed and Inoperative Oxygen Plant**

The statement of financial position and as disclosed in Note 32 to the financial statements reflects property, plant and equipment balance of Kshs. 188,482,758. Audit verification revealed existence of an oxygen plant described as Novair Oxygen Plan. However, the same was not included in the asset register or in the financial statements. Information available indicate that the Oxygen Plant has a capacity to serve all Murang'a County Hospitals thereby saving on cost of purchasing oxygen from external suppliers. However, during the month of February 2025, the oxygen plant broke down and from then has not been in capacity to produce and deliver oxygen to the Hospital. The Hospital has been forced to heavily rely on AMREF oxygen supply.

In the circumstances, the service delivery has been adversely affected at hospitals within Murang'a County.

### **Management Response**

The Oxygen plant is under an active service Contract with FSE Sarl France through the National Government. The hospital has continuously engaged FSE through the Ministry of Health for the repairs to be expedited.

However, the hospital has a 2<sup>nd</sup> plant that is operational and is generating Oxygen adequately to meet the hospital's needs.

### **Committee Observations**

**The Committee observed that-**

- 1. The oxygen plant, which has the capacity to serve all hospitals within Murang'a County and significantly reduce expenditure on external oxygen supplies, has been inoperative since February 2025. Despite being under an active service contract**

with FSE Sarl, France, through the National Government, the plant remains idle and continues to depreciate without contributing to service delivery or generating value for the hospital.

2. The existence of a Novair Oxygen Plant not included in the hospital's asset register or disclosed in the financial statements was confirmed during audit verification. This omission contravenes Section 149(2)(o) of the Public Finance Management Act, 2012, which requires entities to maintain an up-to-date fixed assets register, and has resulted in the understatement of the hospital's property, plant and equipment balance.
3. the hospital has a second oxygen plan that supplies oxygen to the hospital

#### **Committee Recommendations**

**The Committee recommends that-**

- i. management should ensure that the second oxygen plant is properly valued, recorded in the asset register, and disclosed in the financial statements in accordance with applicable accounting standards;**
- ii. the Governor should liaise with the Ministry of Health to expedite repairs under the service contract to restore full operational capacity of the idle oxygen plant; and**
- iii. the Governor, through the CECM on matters health, should develop contingency plans to ensure uninterrupted oxygen supply to health facilities in case of equipment failure and regularly monitor performance of critical medical equipment and report status to management and governance structures.**

## CHAPTER FOUR: FUNDS

### 4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR MURANGA COUNTY 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 hospitals in Muranga 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. Murang'a County Government Education and Scholarship Fund
2. Murang'a County Agricultural Farm Inputs Subsidy & Incentive Fund (AFIS Fund)
3. Murang'a County Climate Change Fund
4. Murang'a County Youth Fund

#### Committee Observations

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

#### Committee Recommendations

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 Murang'a 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.

26/3/2026  
Tabled by Sen. Cherankey  
Committee: CPE & SF  
CANC - Behndeh

# ANNEXTURES

## Minutes

| PAPERS LAID        |                |
|--------------------|----------------|
| DATE               | 26/3/2026      |
| TABLED BY          | Sen. Cheungcey |
| COMMITTEE          | CPISS.F        |
| CLERK AT THE TABLE | Behndal        |



**13<sup>TH</sup> PARLIAMENT 5<sup>TH</sup> SESSION**

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

**PRESENT**

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

**ABSENT WITH APOLOGY**

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

**SECRETARIAT**

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

**A. OFFICE OF THE AUDITOR GENERAL**

|                   |         |
|-------------------|---------|
| Mr. Mark Gachanja | Liasion |
|-------------------|---------|

**B. ETHICS AND ANTI CORRUPTION COMMISION**

|                    |                  |
|--------------------|------------------|
| Mr. Patrick Kinoti | -Liaison Officer |
|--------------------|------------------|

**MIN. NO. SEN/CPICSF/377/2026      PRAYER**

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

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

The agenda of the meeting was adopted having been proposed by Sen. Agnes Kavindu Muthama, MP and seconded by Sen. George Mungai Mbugua, MP as follows –

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

**MIN. NO. SEN/CPICSF/379/2026 CONSIDERATION AND ADOPTION OF REPORTS**

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

1. Embu Report

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

## 2. Kirinyaga Report

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

## 3. Lamu

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

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

#### 4. Mandera Report

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

#### 5. Mombasa Report

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

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

#### 6. Murang'a Report

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

### 7. Nyamira Report

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

### 8. Tana River Report

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

### 9. Tharaka Nithi Report

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

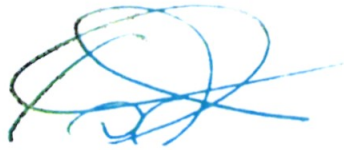
4. Iten County Referral Hospital
5. Tambach Sub-County Hospital
6. Elgeyo Marakwet County Assembly Catering Services Revolving Fund
7. Elgeyo Marakwet Alcoholic Drinks and Control Fund-Executive
8. Elgeyo Marakwet Car and Mortgage Revolving Fund-Executive
9. Elgeyo Marakwet County Climate Change Fund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

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

There was no any other business.

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

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



**SIGNED: ..... DATE: 24/3/2026**

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