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THE SENATE

THIRTEENTH PARLIAMENT – FIFTH SESSION

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

SECTOR	NO.	ENTITY
WATER COMPANIES	3	OLOOLAIER WATER AND SEWARAGE COMPANY LIMITED
		NOL-TURESH LOITOKIOK WATER AND SANITATION COMPANY LIMITED
		OLKEJUADO WATER AND SEWARAGE COMPANY LIMITED
HOSPITALS	5	KAJIADO COUNTY REFERRAL HOSPITAL
		IMBIRIKANI LEVEL 4 HOSPITAL
		NGONG LEVEL 4 HOSPITAL
		KITENGELA SUB-COUNTY HOSPITAL
		ONGATA RONGAI SUB-COUNTY HOSPITAL
FUNDS	8	KAJIADO COUNTY EMERGENCY FUND
		KAJIADO COUNTY ALCOHOLIC DRINKS CONTROL FUND
		KAJIADO COUNTY CLIMATE CHANGE FUND
		KAJIADO COUNTY DISABILITY MAINSTREAMING FUND
		KAJIADO COUNTY EDUCATION BURSARY GRANTS AND SCHOLARSHIP FUND
		KAJIADO COUNTY YOUTH AND WOMEN ENTERPRISE FUND
		KAJIADO COUNTY EMERGENCY FUND
		KAJIADO COUNTY EXECUTIVE

MARCH, 2026

PAPERS LAID	
DATE	<i>13/03/2026</i>
TABLED BY	<i>SEN. OSOISI</i>
COMMITTEE	
CLERK AT THE TABLE	<i>LILIAN</i>

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3/03/2026*



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ABBREVIATIONS

NLC	National Land Commission
EPZ	Export Processing Zone
CECM	County Executive Committee Member
COB	Controller of Budget
PPE	Property, Plant and Equipment
MOH	Ministry of Health
EACC	Ethics and Anti-Corruption Commission
FIF	Facilities Improvement Financing Act
GAAP	Generally Accepted Accounting Principles
HDU	High Dependency Unit
ICU	Intensive Care Unit
FY	Financial Year
O&M	Operations and Maintenance
IHMS	Integrated Hospital Management System
SHIF	Social Health Insurance Fund
AIEs	Authority to Incur Expenditures
FY	Financial Year
NHIF	National Health Insurance Fund
NRW	Non-Revenue Water
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
PAA	Public Audit Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SHA	Social Health Authority
SO	Standing Orders
UHC	Universal Health Coverage
WASREB	Water Services Regulatory Board

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion, which is the most desirable, in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the organisation's management limits the scope of audit procedures.
3. **Unmodified opinion:** This is an opinion expressed by the auditor if the financial statements presents a true and fair view, in all material respects, in accordance with the applicable accounting standards.
4. **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.
5. **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.
6. **Accountability** – This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.
7. **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.
8. **Going Concern:** This is an accounting principle used for a company that is financially stable enough to meet its obligations and continue its business for the foreseeable future.

PREFACE

Parliamentary Committees are a creation of the Constitution through Article 124(1) of the Constitution, which empowers each House of Parliament to establish Committees and make Standing Orders (SO) for the orderly conduct of its proceedings, including the proceedings of its committees. Pursuant to Article 96(3) of the Constitution, the Senate exercises oversight over national revenue allocated to the county governments. The Select Committee on County Public Investments and Special Funds is established pursuant to Standing Order No. 194 of the Senate Standing Orders and is mandated to-

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

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

The Select Committee on County Public Investments and Special Funds (CPISFC) of the Senate is mandated under Standing Order No. 232 to consider reports of the Auditor-General relating to county governments, county public investments and special funds.

This report covers the consideration by the Committee of the Auditor-General's reports on financial statements of Kajiado County water companies and Hospitals for the Financial Year 2024/2025. The entities covered are: Three (3) water companies (Oloolaiser Water and Sewerage Company Limited, Nol-Turesh Loitokitok Water and Sanitation Company Limited and Olkejuado Water and Sewerage Company Limited) and Five (5) hospitals (Kajiado County Referral Level 5 Hospital, Imbirikani Level 4 Hospital, Ngong Sub Level 4 Hospital, Kitengela Sub-County Hospital, and Ongata Rongai Sub County Hospital)

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

COMMITTEE MEMBERSHIP

The membership of the Committee comprises the following Senators-

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

COMMITTEE SECRETARIAT

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

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited Accounts of the water companies and hospitals for the Financial year 2024/2025 (1st July, 2024 to 30th June, 2025) as the primary documents for the investigations. The Committee invited the Governor as the Chief Executive Officer of County Government pursuant to Article 179(4) as witnesses to respond to the audit queries raised in the reports under considerations.

The Committee received both written and oral evidences from the Governor in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates. The Committee considered and concluded its inquiry onto the reports of the Auditor-General on the Financial Operations of the Water companies, Municipality and Hospitals for the Financial Year 2024/2025. 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 Sixteen (16) entities in Kajiado County for the Financial Year 2024/2025. The entities covered are: Three (3) water companies (Oololaiser Water and Sewerage Company Limited, Nol-Turesh Loitokitok Water and Sanitation Company Limited and Olkejuado Water and Sewerage Company Limited) and Five (5) hospitals (Kajiado County Referral Level 5 Hospital, Imbirikani Level 4 Hospital, Ngong Sub Level 4 Hospital, Kitengela Sub-County Hospital, and Ongata Rongai Sub County Hospital), eight (8) funds- Kajiado County Emergency Fund, Kajiado County Executive, Kajiado County Alcoholic Drinks Control Fund, Kajiado County Climate Change Fund, Kajiado County Disability Mainstreaming Fund, Kajiado County Education Bursary Grants and Scholarship Fund, Kajiado County Youth and Women Enterprise Fund, Receiver of Revenue - County Government of Kajiado, County Revenue Fund-County Government of Kajiado

The audit reveals systemic weaknesses in financial management, governance, and service delivery across Kajiado County's water companies and hospitals. Key issues include massive liabilities and high Non-Revenue Water at the water companies, a critical staffing and equipment shortages in hospitals contrary to health standards, undisclosed rental income, inaccurate property, plant and equipment balances, unsupported trade payables, unconfirmed inventories Balances, Irregular Engagement of Casual workers, lack of segregation of duties, absence of a strategic plan, expired and unutilized medical supplies.

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 report of the Auditor-General for Water Companies in Kajiado for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Kajiado County Hospitals, for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Funds for the Financial Year 2024/2025 and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATION FOR WATER COMPANIES

- 1. Material Uncertainty Related to Going Concern** — The Committee observed that all three Water Service Providers — Oloolaiser, Nolturesh, and Olkejuado — recorded severe negative working capital and accumulated losses, raising material uncertainty about their ability to continue as going concerns. None of the companies had a board-approved financial recovery roadmap with measurable targets and timelines, and all remained heavily dependent on County Government support for operational sustainability.
- 2. Excessive Non-Revenue Water (NRW)** — The Committee observed that all Water Service Providers recorded Non-Revenue Water levels far exceeding the WASREB benchmark of 25%. Oloolaiser recorded 49% and Nolturesh recorded a critically high 80%, representing a major breach of Water Services Regulatory guidelines. The losses were attributed to ageing infrastructure, illegal connections, defective meters, and unmetered customers, yet no company had a concrete NRW Reduction Plan with time-bound targets.
- 3. Long Outstanding Payables and Non-Remittance of Statutory Deductions** — The Committee observed that all three companies carried long-outstanding trade payables, some exceeding three years, with no structured creditors repayment plans. Additionally, statutory deductions including PAYE, NSSF, NHIF, and the Affordable Housing Levy had not been remitted, exposing the companies to avoidable fines, penalties, and legal liability.
- 4. Mismanagement of Customer Deposits** — The Committee observed that all three companies utilized customer deposits held in trust for day-to-day operations. Oloolaiser had borrowed Kshs. 21,024,450, Nolturesh Kshs. 2,646,755, and Olkejuado Kshs. 6,704,606 from their respective deposit accounts. No company had a Customer Deposits Management Policy or a repayment plan with clear timelines in place.
- 5. Weak Budgetary Control and Non-Compliance with Fiscal Responsibility Principles** — The Committee observed that the companies demonstrated widespread non-compliance with fiscal responsibility principles. Staff costs at Oloolaiser stood at 49% of total revenue against the legal ceiling of 35%. Nolturesh prepared an unbalanced budget and incurred unauthorized expenditure of Kshs. 8,558,684. Olkejuado recorded a revenue shortfall of 15% and over-expenditure of 62% of actual receipts, all pointing to a weak budgetary control environment.

GENERAL RECCOMENDATION FOR WATER COMPANIES

1. **Financial Oversight and Liability Management** – The Governor takes keen interest in the management and operations of all Water Service Providers in line with Article 179(4) of the Constitution and ensures each Accounting Officer submits a board-approved Financial Recovery Roadmap to the Senate within sixty (60) days of adoption of this report.
1. **Reduction of Non-Revenue Water (NRW)** - The Governor should ensure that the Board and Accounting Officer implement measures to reduce NRW by addressing both physical and commercial losses. Smart meters should be installed, faulty customer meters replaced, and the 14 km HDPE pipeline activated to replace old AC lines. GIS technology should be applied to detect leaks in real time, and anti-illegal-connection policies strictly enforced. Management should report the proportion of physical and commercial losses in their financial statements.
2. **Settlement of Payables and Statutory Deductions** -The Governor ensures each Accounting Officer develops a structured creditors repayment plan and remits all outstanding statutory deductions including PAYE, NSSF, NHIF, and the Affordable Housing Levy, and submits evidence to the Senate and Auditor-General within sixty (60) days of adoption of this report.
3. **Protection and Restitution of Customer Deposits** -The Governor ensures all Boards of Directors put in place Customer Deposits Management Policies, and each Accounting Officer submits a repayment plan with clear timelines for full restitution of all borrowed deposits, and ensures all customer deposits are held in designated fixed or call accounts with restricted management access.
4. **Budgetary Discipline and Fiscal Responsibility** -The Governor ensures each Accounting Officer prepares balanced budgets, brings staff costs within the 35% legal threshold, and ensures no expenditure is incurred above approved allocations without prior Board approval, in compliance with the Public Finance Management Act, Cap. 412A, failure to which Section 199 penalties shall apply.

GENERAL OBSERVATIONS FOR THE HOSPITALS

1. **Failure to Meet Minimum Hospital Level Standards for UHC** — The Committee observed that all five hospitals failed to meet the minimum staffing and equipment requirements prescribed by the Kenya Quality Model for Health Policy Guidelines and the Health Act, 2017. Staff deficits ranged from 31% at Ongata Rongai to 82% at Imbirikani. Critical cadres including anesthesiologists, radiologists, and pediatricians were either absent or grossly understaffed, and all hospitals lacked functional ICU beds, HDU units, dialysis machines, and sufficient newborn unit equipment, directly compromising the right to health under Article 43(1) of the Constitution.
2. **Non-Compliance with the Facilities Improvement Financing Act, 2023** — The Committee observed that all hospitals transferred FIF revenues to the County Revenue Fund instead of retaining them in designated facility accounts, contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023. The transferred amounts ranged from Kshs. 2,825,759 at Imbirikani to Kshs. 24,808,476 at Ongata Rongai, depriving facilities of timely operational funding needed to improve service delivery.
3. **Weak Internal Controls, ICT Governance, and Financial Data Management** — The Committee observed that all five hospitals lacked approved ICT Security Policies and Disaster Recovery Plans, and most maintained financial records on Microsoft Excel without backup systems or audit trails, contrary to Section 68(2)(c) of the Public Finance Management Act, 2012. This exposes hospital financial data to risks of manipulation, loss, and inaccuracies, and undermines the reliability of financial reporting.
4. **Governance Deficiencies — Risk Management, Board Charters, and Ethnic Diversity** — The Committee observed that no hospital had a facility-specific Risk Management Policy and risk register in place during the year under review, contrary to Regulation 158(1) of the PFM (County Governments) Regulations, 2015. Most hospitals also lacked Board Annual Work Plans and Board Charters. Additionally, multiple hospitals were found in breach of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, with the dominant ethnic community accounting for between 40% and 52% of total staff, exceeding the legal threshold of 30%.

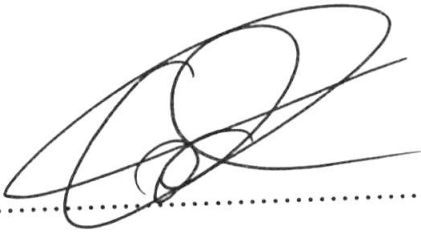
GENERAL RECCOMENDATION FOR THE HOSPITALS

1. **Health Infrastructure and Staffing Plan** — - The Governor develops and funds a comprehensive multi-year Health Infrastructure and Staffing Plan with clear milestones, timelines, and budgetary allocations to bring all hospitals into full compliance with the Kenya Quality Model for Health Policy Guidelines and Section 25 of the Health Act, 2017. Further, the governor should submit a detailed action plan to Senate within sixty (60) days of the adoption of this report, and a copy to the Auditor-General to monitor progress in subsequent audit cycles.
2. **Compliance with the Facilities Improvement Financing Act, 2023** - The Governor issues a directive to all hospital accounting officers ensuring that FIF revenues are deposited directly into designated facility accounts in strict compliance with Sections 5 and 20–25 of the Facilities Improvement Financing Act, 2023. The CECM for Finance should establish a monitoring mechanism to prevent future misallocation, and accounting officers who continue to transfer FIF revenues contrary to the Act should face administrative action under Section 199 of the Public Finance Management Act, Cap. 412A.
3. **Strengthening ICT Governance and Financial Data Systems** — the Governor ensures each hospital fully operationalizes a digital financial management system with backup and audit trail capabilities, and that each Board approves a dedicated ICT Security Policy and Disaster Recovery Plan in compliance with Section 68(2)(c) of the Public Finance Management Act, 2012 and Section 3.6 of the Mwongozo.
4. **Risk Management, Governance, and Ethnic Diversity Compliance** — The Governor ensures each hospital develops a facility-specific Risk Management Policy and risk register, all Boards are equipped with formal charters and annual work plans, and all future recruitment exercises are advertised nationally to promote ethnic diversity in compliance with Section 65 of the County Governments Act, 2012 and Section 7 of the National Cohesion and Integration Act, 2008.

ACKNOWLEDGEMENTS

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

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

SIGNED:.....

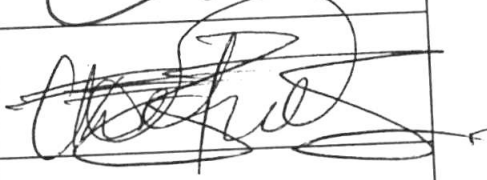


DATE:.....

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

ADOPTION OF THE REPORT OF THE SENATE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF SIXTEEN COUNTY (16) ENTITIES FOR KAJIADO COUNTY FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
WATER COMPANIES	3	OLOOLAISER WATER AND SEWARAGE COMPANY LIMITED
		NOL-TURESH LOITOKIOK WATER AND SANITATION COMPANY LIMITED
		OLKEJUADO WATER AND SEWARAGE COMPANY LIMITED
HOSPITALS	5	KAJIADO COUNTY REFERRAL HOSPITAL
		IMBIRIKANI LEVEL 4 HOSPITAL
		NGONG LEVEL 4 HOSPITAL
		KITENGELA SUB-COUNTY HOSPITAL
		ONGATA RONGAI SUB-COUNTY HOSPITAL
FUNDS	8	KAJIADO COUNTY EMERGENCY FUND
		KAJIADO COUNTY ALCOHOLIC DRINKS CONTROL FUND
		KAJIADO COUNTY CLIMATE CHANGE FUND
		KAJIADO COUNTY DISABILITY MAINSTREAMING FUND
		KAJIADO COUNTY EDUCATION BURSARY GRANTS AND SCHOLARSHIP FUND
		KAJIADO COUNTY YOUTH AND WOMEN ENTERPRISE FUND
		KAJIADO COUNTY EMERGENCY FUND
		KAJIADO COUNTY EXECUTIVE

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 (Chairperson)	
2.	Sen. Eddy Gicheru Oketch, MP (Vice - Chairperson)	
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 OF OLOOLAISER WATER AND SEWERAGE COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor of Kajiado County, Hon. Joseph Ole Lenku EGH, appeared before the Committee on Wednesday 28th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Oololaiser Water and Sewerage Company limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|-----------------------|--------------------|
| 1. Mr. Micheal Semera | - CECM Finance |
| 2. Ms. Judy Pere | - CECM Water |
| 3. Ms. Gladys Marima | -Managing Director |
| 4. Ms. Regina Mutunga | -Auditor |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the financial statements of Oololaiser Water and Sewerage Company limited for the period under review on the following basis-

1. Long Outstanding Trade and Other Debtors

The statement of financial position and as disclosed in Note 18 to the financial statements reflect trade and other debtors balance of Kshs.147,906,249 which is net of provision for doubtful debts of Kshs.25,896,975. Review of the gross trade receivables of Kshs.172,646,500 revealed that receivables amounting to Kshs.135,253,644 have been outstanding for more than one hundred and twenty (120) days casting doubt on their recoverability and adequacy of the provisions. Management did not provide measures put in place to recover the debts.

In the circumstances, the accuracy and recoverability of the trade and other debtors balance of Kshs.135,253,644 could not be confirmed.

Management response

The increase in long-outstanding trade receivables was primarily due to harsh economic effects during the COVID-19 period, during which the Government of Kenya issued public health directives discouraging the disconnection of essential services, including water supply, to support households and businesses. As a result, the Company was unable to enforce disconnections for non-payment, leading to

delays in debt settlement and an accumulation of outstanding receivables. These measures were aligned with government interventions under ongoing Water Sector Reforms, as documented in the Ministry of Water's Budget Implementation Review (2021, Issue No. 4) and related COVID-19 response circulars.

To strengthen revenue collection and reduce aged debts, the Company acquired a billing system, which incorporates advanced technological features for improved billing accuracy, monitoring, and revenue assurance. The system enables real-time meter reading and reporting by staff, including photographic evidence, thereby minimizing errors and misreporting. Customers now receive bills immediately after meter readings, facilitating timely payment planning.

Further, the Company issues payment reminders through bulk SMS and engages customers in structured partial payment arrangements to clear outstanding balances. An approved Debt Management Policy is also in place to guide effective monitoring, collection, and recovery of receivables.

Committee Observation

The Committee observed that—

- i. trade and other receivables outstanding for more than 120 days amounted to Kshs.135,253,644, out of a gross receivables balance of Kshs.172,646,500, casting doubt on their recoverability and the adequacy of the existing provision for doubtful debts of Kshs.25,896,975; and
- ii. although Management attributed the accumulation of long-outstanding receivables to the COVID-19 period during which government directives prohibited disconnection of essential services.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer develops and implements a comprehensive Debt Management Policy, to be approved by the Board of Directors, that provides clear guidelines on debt recovery, ageing thresholds, and write-off procedures, and submits evidence of approval to the Senate within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer submits a comprehensive debtors schedule with an updated ageing analysis to the Auditor-General for verification within 60 days of the adoption of this report;

- iii. the Governor ensures the Accounting Officer intensifies debt recovery efforts including issuance of demand notices, disconnection of non-paying active customers, structured partial payment arrangements, and engagement with government institutions to settle outstanding arrears, and submits a status report to the Senate within 60 days of the adoption of this report; and
- iv. the Auditor-General monitors the implementation of the debt recovery measures and reviews the recoverability of the outstanding receivables in the subsequent audit cycle.

2. Customers' Deposits

The statement of financial position and as disclosed in Note 20 to the financial statements reflect customers' deposits balance of Kshs.784,418. As previously reported, the deposit money is refundable on demand for those terminating their service contracts with the Company without outstanding bills. However, the Company had cumulatively borrowed funds totalling Kshs.21,024,450 from the deposits account for operations which had not been settled as at the time of audit in November, 2025.

In the circumstances, the accuracy and completeness of customers' deposits balance of Kshs.784,418 could not be confirmed.

Management Response

Customers' deposits represent refundable amounts held by the Company and are payable on demand upon termination of service contracts, subject to clearance of outstanding bills. In managing liquidity constraints, the Company has, over time, utilised funds from the deposits account to support operational requirements with prior approval from the Board of Directors. This approach is consistent with common sector practice and regulatory guidance that encourages Water Service Providers to minimise external borrowing and associated finance costs, provided that customer deposits are safeguarded and repayable when due. The outstanding balance arising from the utilisation of customer deposits is acknowledged, and the Company remains committed to full repayment. However, during the recovery period, priority has been accorded to the settlement of external creditors whose obligations attract penalties and fines or pose an imminent legal risk, including creditors who have initiated or threatened legal action. This prioritisation is intended to protect the Company from escalating costs and potential

service disruption. It is worth noting that, the balance in the account is adequate to handle the customers who may be exiting the Company at any time. As revenues continue to improve, the Company has halted the internal borrowing and is planning to progressively refund the deposits, while ensuring that customer refunds are honoured as and when they fall due. Management continues to monitor the position closely to ensure compliance with prudent financial management practices and to restore the deposits balance in full.

Committee Observation

The Committee observed that—

- i. the reported customers' deposits balance of Kshs.784,418 does not reflect the true position, as Management had cumulatively borrowed Kshs.21,024,450 from the deposits account for operational purposes, which had not been refunded as at the time of audit in November 2025, contrary to the purpose for which the deposits are held; and
- ii. although the Board of Directors had approved the internal borrowings and Management committed to progressive repayment, no repayment plan with clear timelines had been put in place.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer provides a certified bank statement for the designated customer deposits account and a comprehensive individual customer deposit register to the Senate and the Auditor-General within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer submits a repayment plan with clear timelines for the full restitution of the Kshs.21,024,450 borrowed from the customers' deposits account, with copies submitted to the Senate and the Auditor-General within 60 days of the adoption of this report;
- iii. the Governor ensures the Board of Directors puts in place a Customer Deposits Management Policy providing clear guidance on access, utilization, and repayment timelines, and that there is full disclosure to customers on the utilization of their deposits; and
- iv. the Governor ensures the Accounting Officer ensures that all customer deposits are held in a designated fixed or call account with restricted

management access, and submits evidence of the same to the Senate and the Auditor-General within 60 days of the adoption of this report.

3. Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.409,291,831 against current assets of Kshs.150,568,404 resulting in a negative working capital of Kshs.258,723,427. In addition, trade and other payables increased by Kshs.22,106,534 from Kshs.335,430,098 in the previous year to Kshs.357,536,632 an indication of the Company's inability to settle its obligations as and when they fall due.

In the circumstances, the ability of the Company to continue to sustain its services is dependent on continued support from the County Government and other stakeholders.

Management Response

Management notes the observation regarding the negative working capital. The increase in current liabilities over previous years primarily reflects inability to settle its liabilities as and when they fall due. This was primarily due to various factors such use of a tariff structure which was not fully cost-recovery, prolonged drought over the periods, dilapidated infrastructure, inadequate water resource and high costs of operation mainly due to reliance on electricity for water pumping.

However, the Company is progressively addressing the above issues which will help in improving its financial sustainability. The cost recovery tariff was reviewed and approved in 2024 and implemented from November same year. The Company is also renewing its infrastructure in Ongata Rongai and Kiserian as well as getting additional water from the northern collector and sinking of new boreholes. To cut on cost of production the Company through the County Government of Kajiado and other stakeholders is in the process of solarizing its boreholes.

The progressive improvement in its finances is evident from the financial statements for the year 2024/2025 where the Company reported a net operating surplus of Kshs. 4,187,963, compared to a net operating deficit of Kshs. 57,698,535 in 2023/2024. Further, during the first half of the current financial year, revenue collection and billing have continued to improve, supporting the Company's ability to sustain operations and meet critical obligations.

Committee Observation

The Committee observed that—

- i. the Company's current liabilities of Kshs.409,291,831 significantly exceeded current assets of Kshs.150,568,404, resulting in a negative working capital of Kshs.258,723,427.
- ii. although Management reported a net operating surplus of Kshs.4,187,963 for the financial year 2024/2025 the Company remains heavily dependent on County Government support for operational sustainability, and the trade and other payables continue to increase.

Committee Recommendation

The Committee recommends that –

- i. the Governor of Kajiado County takes keen interest in the management and operations of the water company in line with Article 179(4) of the Constitution;
- ii. the Governor ensures the Accounting Officer prepares and submits quarterly financial and non-financial performance reports to the CECM Finance in line with Section 166 of the Public Finance Management Act, Cap.412A, failure to which the provisions of Section 199 of the same Act on penalties for offences shall apply;
- iii. the County Executive Committee Member in charge of water takes 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 reports to the Governor through the County
- iv. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, puts in place strategic and innovative measures to boost the financial health of the company towards self-sustainability, including a creditors payment plan, revenue enhancement strategy, and cost reduction initiatives; and
- v. the Auditor-General monitors the financial sustainability of the Company and reports on the going concern status in the subsequent audit cycle.

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Excessive Non-Revenue Water

Review of water sales and production records revealed that the Company produced 1,919,552 cubic meters (M³) of water out of which only 980,036 M³ were billed to customers. The balance of 939,516 M³ or appropriately 49% of total production represents Non-Revenue Water (NRW). The NRW for the Company exceeded the allowable loss of 25% by 24%. This is contrary to the Water Services Regulatory guidelines which require water service providers to ensure that commercial losses in respect of water produced do not exceed 25% of total production.

Although Management attributed the loss to ageing and deteriorating reticulation systems, instances of illegal connections, meter bypasses and defective consumer meters, no measures had been put in place to address the issues.

In the circumstances, Management was in breach of law.

Management Response

The high level of Non-Revenue Water (NRW) was mainly due to dilapidated pipeline, old meters and testing of the new pipeline. The Company has come up with a comprehensive NRW reduction plan outlining specific measures to address both technical and commercial losses.

In addition, the NST-WSDP project, currently ongoing in the Ongata Rongai and Kiserian areas, is addressing dilapidated infrastructure through the replacement of old and leaking distribution networks and installation of new meter with the project areas. The project is expected to reduce NRW to the stipulated sector benchmark.

Committee Observation

The Committee observed that—

- i. the Company's Non-Revenue Water stood at 49%, far exceeding the WASREB benchmark of 25%.
- ii. Management attributed the high NRW to ageing and deteriorating reticulation systems, illegal connections, meter bypasses, and defective consumer meters, no concrete measures with timelines had been put in place to address these issues, constituting a breach of Water Services Regulatory guidelines.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures the Accounting Officer develops and implements a comprehensive NRW Reduction Plan with specific, time-bound targets for both physical and commercial losses, and submits the plan to the Auditor-General and Senate within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer segregates NRW into physical and commercial losses to enable targeted interventions, including installation of smart meters, replacement of old pipeline infrastructure, and introduction of a Geographic Information System (GIS) for real-time monitoring of leakages;
- iii. the County Government collaborates with the Ethics and Anti-Corruption Commission (EACC) to put in place pre-emptive measures to curb theft and illegal connections; and
- iv. the Auditor-General monitors the implementation of NRW reduction measures and reports on progress in the subsequent audit cycle.

2. Non-Compliance with the Law on Fiscal Responsibility Principles

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflect staff costs of Kshs.84,819,125 which is approximately 49% of the total revenue of Kshs.172,594,975. This is contrary to the provisions of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the County Executive Committee Member with the approval of the County Assembly shall set out a limit of County Government expenditure on wages and benefits for its public officers which shall not exceed thirty-five percent (35%) of the County Government's total revenue.

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

Management Response

The higher proportion of staff costs relative to total revenue reflects the nature of staff costs as largely fixed expenditures, which do not reduce when revenue collections are lower than expected. Notably, during the 2024/2025 financial year, staff costs as a proportion of total revenue improved compared to previous periods, reflecting ongoing management efforts to align expenditures with available resources.

The Company continues to implement measures to improve revenue, including the cost-reflective tariff, reduction of Non-Revenue Water, and solarization of pumping stations. These initiatives are expected to further align the proportion of staff costs with the fiscal responsibility principles outlined in Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

Ongoing improvements in revenue and operational efficiency will also enable increased allocations to capital and development expenditure over the medium term, supporting sustainable expansion and maintenance of water infrastructure.

Committee Observation

The Committee observed that staff costs has reduced to approximately 38% of total revenue for the first half of 2025/2026 financial year though far exceeding the 35% ceiling prescribed under regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that

- i. the Governor ensures the Accounting Officer develops a concrete plan to bring staff costs as a proportion of total revenue within the 35% threshold prescribed by law, through a combination of revenue growth**

- initiatives and rationalization of staff costs, and submits the plan to the Senate and copy to the Auditor-General within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer implements revenue enhancement measures including the cost-reflective tariff, NRW reduction, and solarization of pumping stations to grow the revenue base and progressively bring the staff cost ratio into compliance.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Staff Medical Expenses

As previously reported, the statement of profit or loss and other comprehensive income reflects staff costs totalling Kshs.84,819,125 which includes staff medical expenses of Kshs.1,025,686 as disclosed in Note 9 to the financial statements. However, the Company did not have a medical cover Policy for the employees and there was no guidance on how the medical vote was run including the Hospitals that were appointed and the exceptions on medical services to be received. In the circumstances, the effectiveness of internal controls on management of staff medical expenses could not be confirmed.

Management Response

The Company recognizes the need for a structured medical cover for staff and had completed the evaluation of bids for the provision of medical cover. Due to financial considerations, the implementation of the medical cover has been temporarily paused; however, the Company remains fully committed to proceeding with the process as soon as resources allow.

In the interim, staff medical reimbursements continue to be processed through the Company's internal control mechanisms. All claims are reviewed and approved by the Internal Audit Department to ensure legitimacy, ensuring that only valid reimbursements are processed. To avoid over expenditure on the same, the Board of Directors set a ceiling of Kshs.100, 000 per staff, such that any medical expenditure exceeding this mount within a financial year should go through board approval.

Management emphasizes that the intention to implement a formal medical cover has always been a priority, and it remains committed to establishing the policy and strengthening internal controls to ensure compliance, transparency, and accountability in the management of staff medical expenses.

Committee Observation

The Committee observed that—

- i. the Company incurred staff medical expenses of Kshs.1,025,686 without an approved Medical Cover Policy in place to govern the management of these expenditures, including designation of approved hospitals and scope of covered medical services; and
- ii. although evidence was provided confirming that a tender for the provision of medical cover had been advertised, no evidence was tabled on the procurement status, including evaluation of bids, award of contract, or implementation timelines, leaving the procurement process unresolved and the Company's staff without formal medical cover.

Committee Recommendation

The Committee recommends that

- i. the Governor ensures the Accounting Officer provides a comprehensive status report on the medical cover procurement process, including bid evaluation outcomes, contract award, and implementation timelines, and submits the same to the Senate and Auditor-General within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer expedites the conclusion of the procurement process and obtains Board approval for a Staff Medical Cover Policy clearly defining eligible medical services, approved service providers, reimbursement limits, and claims procedures; and
- iii. the Auditor-General monitors the finalization of the procurement process and the implementation of the Medical Cover Policy and reports on progress in the subsequent audit cycle.

1.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF NOLTURESH LOITOKTOK WATER AND SANITATION COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor of Kajiado County, Hon. Joseph Ole Lenku EGH, appeared before the Committee on Wednesday 28th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nolturesh Loitoktok Water and Sanitation Company limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|-----------------------|----------------------|
| 1. Mr. Micheal Semera | - CECM Finance |
| 2. Ms. Judy Pere | - CECM Water |
| 3. Mr. Jacob Sempeke | - CO Water Services. |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the financial statements of Nolturesh Loitoktok Water and Sanitation Company limited for the period under review on the following basis-

1. Unconfirmed Ownerships of Assets

The statement of financial position and as disclosed in Note 15 to the financial statements reflect property, plant and equipment balance of Kshs.126,654,699. However, the ownership documents of four (4) motor vehicles of unknown value granted by Tanathi Water Works and Development Agency and the National Water had not been transferred and registered in the name of the Water Company. Further, ownership documents and valuation report of a parcel of land with an estimated value of Kshs.57,184,641 disclosed in the assets register were not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.126,654,699 could not be confirmed.

Management Response

The company had initially written to the county government to assist in the transfer of assets from Tanathi, National water and WSTF. The county government also wrote letters to the respective parastatals. The process is underway. We have attached the correspondences from the county government of Kajiado to the relevant authorities for your reference.

Committee Observation

The Committee observed that—

- i. ownership documents for four motor vehicles granted by Tanathi Water Works and Development Agency and National Water had not been transferred and registered in the name of the Company, and a parcel of land valued at Kshs.57,184,641 lacked ownership documents and a valuation report. and
- ii. although Management provided evidence of correspondence between the County Government of Kajiado and the relevant authorities to facilitate the asset transfer, the process remains incomplete.

Committee Recommendation

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters of water, engages with the relevant Water Works Development Agencies to ensure the transfer of ownership documents of the donated items is fast-tracked;
- ii. the Governor ensures that the management of the water company fast-tracks the valuation of all assets and submits the valuation report to the Auditor-General for verification, and the Auditor-General provides a status update on the matter in the subsequent audit cycle;
- iii. upon completion of the transfer and valuation, the Accounting Officer prepares an updated asset register within 60 days of the adoption of this report and submits it to the Senate and a copy to the Auditor-General for verification;
- iv. the Governor ensures that the Accounting Officer undertakes adjustments to the financial statements to reflect the true value of the assets, and the Auditor-General keeps the matter in view in the subsequent audit cycle; and
- v. the Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with Section 149(2)(o) of the Public Finance Management Act, Cap.412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of Section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

2. Understated Provision for Bad and Doubtful Debts.

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflect general and operations expenses of Kshs.12,687,579. Included in the amount is Kshs.3,497,685 relating to provision of bad and doubtful debts charged for the year. However, the charge for the year was Kshs.3,497,685 or approximately 4% of total outstanding receivables aged 120 days and above instead of the total amount of Kshs.91,627,960 outstanding for 120 days and over as per the aging analysis schedule provided for audit review resulting in understatement of the provision by Kshs.89,671,873. This is contrary to the Company's Finance Policy which states that a provision for doubtful debts shall be made on total outstanding balance over 180 days of the aged debtors listing at every end of the financial year.

In the circumstances, the accuracy and completeness of provision for bad and doubtful debts totalling Kshs.3,497,685 could not be confirmed.

Management response

The Company's Finance Policy states that a provision for doubtful debts shall be 5% on total outstanding balance over 180 days of the aged debtors listing at every end of the financial year.

The policy has been attached for reference.

Committee Observation

The Committee observed that

- i. the provision for bad and doubtful debts charged for the year was only Kshs.3,497,685, representing approximately 4% of total receivables outstanding for 120 days and above of Kshs.91,627,960, resulting in an understatement of the provision by Kshs.89,671,873; and
- ii. although Management cited the Company's Finance Policy requiring a 5% provision on balances outstanding over 180 days, the provision made was inconsistent with even that lower threshold.

Committee Recommendation

The Committee recommends that—

- i. the Governor through the Accounting Officer ensures that the water company undertakes debtors' circularization to confirm the authenticity

- of the receivables and provides a status update to the Senate within sixty (60) days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer submits, within 60 days of the adoption of this report, a debtors' ageing schedule to the Auditor-General for review and verification;
 - iii. the Governor ensures the Accounting Officer makes adequate provisions for bad and doubtful debts in full compliance with the Company's Finance Policy and applicable accounting standards; and
 - iv. the Governor ensures the Accounting Officer undertakes a detailed analysis of long-outstanding trade receivables and, with the Board's approval, writes off irrecoverable debts in line with Section 130(2)(d) of the Public Finance Management (County Governments) Regulations, 2015.

3. Variances in Customers' Deposits

The statement of financial position reflects Kshs.2,798,697 in respect to other current liabilities (customers' deposits'). However, review of the customers' deposits account held at the commercial bank reflects a balance of Kshs.151,942 resulting in unexplained variance of Kshs.2,646,755. Review of documents revealed that the variance constituted funds spent by Management. However, the approval from the Company's Board of Directors was not provided for audit review. Further, the borrowings from the customers' deposits account had not been refunded to the account as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the customers' deposits balance of Kshs.2,798,697 could not be confirmed.

Management Response

The company had been facing financial challenges during the financial year making it hard to meet its obligations. The board of directors approved borrowing of kshs 2,646,800 customer deposits.

The management is putting in place plans to reimbursement during the current financial year.

We have attached the minutes of the board for reference.

Committee Observation

The Committee observed that-

- i. the reported customers' deposits balance of Kshs.2,798,697 against a bank balance of Kshs.151,942 resulted in a variance of Kshs.2,646,755 which Management confirmed was utilized for Company operations; and
- ii. although Management tabled Board approval minutes for the borrowing, the borrowed amount had not been refunded to the deposits account as at 30 June 2025, and no repayment plan with clear timelines was provided.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer submits, within 60 days of the adoption of this report, to the Senate and the Auditor-General a status of implementation of a repayment plan with clear timelines for the repayment of the customer deposits;
- ii. the Governor ensures 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, and the Auditor-General provides a status update to the Senate on the same;
- iii. the Board of Directors puts in place a Customer Deposits Management Policy to guide how the water company can access, utilize, and refund the money within specified timelines, and the Accounting Officer ensures full disclosure to customers on the utilization of the deposits; and
- iv. the Governor ensures the Accounting Officer ensures that all customer deposits are deposited in a fixed or call account whose access to management is limited and where accrued interests can be used to offset bank charges, and submits evidence of the same to the Auditor-General within 60 days of the adoption of this report for verification.

4. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.21,389,101 (loss of Kshs.18,242,989 in 2023/2024). In addition, the statement of financial position reflects current liabilities of Kshs.336,544,448 which exceeded current assets of Kshs.91,826,307 resulting in a negative working capital of Kshs.244,718,141. The unfavorable financial status implies that the Company may not be able to meet its financial obligations as and when they fall

due. Further, the Directors have not made specific disclosure on the risk to the going concern status of the Company or indicated the measures put in place to stop the loss-making trend and return the Company to profitability.

In the circumstances, the Company's sustainability is dependent upon continued support from the Government, shareholders and creditors.

Management Response

The company has in consultation with the Regulator and the three county governments, Kajiado, Makueni and Machakos agreed on concerted efforts that will see the success of implementation of universal metering policy, a regulatory requirement which will see customers pay water as per consumption therefore increase revenue, bridging the gap between liabilities and assets and bring the company back to profitability.

The company has also applied for review of a tariff with WASREB which cost-effective hence it will improve the revenues of the company.

The board of directors approved the metering policy, to help the company address issues of non-revenue water which is anticipated to improve revenue streams.

We have attached the metering policy and letter from wasreb for reference

Committee Observation

The Committee observed that—

- i. the Company recorded a loss before taxation of Kshs.21,389,101 in the year under review, worsening from Kshs.18,242,989 in the prior year, with negative working capital of Kshs.244,718,141.
- ii. although Management cited ongoing efforts including universal metering policy implementation, tariff review application to WASREB, and collaboration with the three County Governments of Kajiado, Makueni and Machakos, the Directors did not make specific disclosures on the going concern risk in the financial statements nor provide a concrete recovery roadmap with measurable targets and timelines.

Committee Recommendation

The Committee recommends that—

- i. the Governor takes keen interest in the management and operations of the water company in line with Article 179(4) of the Constitution;

- ii. the Governor ensures the Accounting Officer prepares and submits quarterly reports to the County Treasury regarding 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 takes 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 reports to the Governor through the County Executive Committee in line with Article 179(6) of the Constitution;
- iv. the Governor ensures the County Treasury undertakes annual reporting on the County Corporation, including an assessment of the commercial viability of the company in line with the standards set by WASREB under Section 77(2) of the Water Act, 2016; and
- v. The Governor ensures the Accounting Officer, within 60 days of the adoption of this report, puts in place strategic and innovative measures for recovery and to boost the financial health of the water company for self-sustainability, reviews and regularizes the company's existing assets, maintains an updated asset register that reflects the current financial position, and determines and ascertains their commercial viability as required by the Public Sector Accounting Standards Board (PSASB).

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 23 to the financial statements reflect trade and other payables amounting to Kshs.333,745,751. However, included in the amount is Kshs.29,629,050, Kshs.331,200 and Kshs.1,441,200 relating to Kenya Revenue Authority (KRA), Pay as You Earn (PAYE), National Social Security Fund (NSSF) and National Hospital Insurance Fund (NHIF) respectively which had not been remitted. In addition, the payables were outstanding for a period longer than three (3) years.

In the circumstances, Management risks avoidable costs on fines and penalties for the long outstanding trade and other payables.

Management Response

The company has put in place a credit control unit to assist in collection of outstanding and current debts so as to be able to meet these obligations when they fall due. The company has in consultation with the regulator and the three county governments has agreed on concerted efforts that will see the success of implementation of universal metering policy, a regulatory requirement which will see customers pay water as per consumption therefore increase revenue. Additionally, the company has also entered into payment plans with the creditors so as to clear the outstanding arrears.

Committee Observation

The Committee observed that—

- i. trade and other payables amounting to Kshs.333,745,751 included unremitted statutory deductions for KRA, PAYE, NSSF, and NHIF totalling Kshs.31,401,450, outstanding for more than three years, exposing the Company to avoidable fines and penalties; and
- ii. although Management indicated it had entered into payment plans with creditors and tabled the payment plan agreements, no evidence of actual payments made towards the long-outstanding obligations was provided.

Committee Recommendation

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables and files a report on the same with the Auditor-General for verification, and the Auditor-General provides 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 FY 2026/2027 and provides a status update to the Senate within 60 days of the adoption of this 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 reports on the same to the County Executive

Committee, making recommendations on how the water company can improve its performance.

2. Budgetary Control and Performance

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

i. Unbalanced Budget

The statement of comparison of budget and actual amounts indicates a final income budget of Kshs.80,162,000 against a projected expenditure of Kshs.84,802,000 resulting in a budget deficit of Kshs.4,640,000. This is an indication that the Water Company did not prepare a balanced budget, as the planned expenditure exceeded the anticipated income. No explanation was provided on the source of the extra funding.

ii. Failure to Meet Revenue Budget

During the year under review, the Water Company budgeted revenue amounted to Kshs.78,400,000 while actual revenue received as per the financial statements was Kshs.47,121,677 resulting to an under-collection of Kshs.31,278,323 or approximately 40% of the budget.

iii. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects a final budgeted expenditure of Kshs.84,802,000. However, review of the approved budget and the corresponding supporting schedules revealed instances of unauthorized expenditure, where actual expenditure exceeded the approved budget allocations as follows:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Unauthorized Expenditure (Kshs.)
Staff Costs	36,037,471	38,795,935	2,758,464
General and Operation Expenses	6,718,076	11,768,296	5,050,220
Pending Bills	1,000,000	1,750,000	750,000

My opinion is not modified in respect to these matters.

Management Response

i) Unbalanced budget.

The budget deficit was an expected to be covered by anticipated financing from outstanding arrears.

ii) Failure to meet revenue targets.

The company has in consultation with the regulator and the three county governments has agreed on concerted efforts that will see the success of implementation of universal metering policy, a regulatory requirement which will see customers pay water as per consumption therefore increase revenue.

The company has also strengthened the commercial department by instituting a credit collection unit which will ensure total collection of outstanding amounts.

iii) Unauthorized expenditure

The over expenditure on the above line items was occasioned by unforeseen events during the financial year. The pending bills arose from litigations by a supplier where the court instructed the company to make the payments.

There were unanticipated bursts along the pipeline that made the operational costs shoot.

The additional expenditure amount was authorized by the board of directors vide meeting of date 02/01/2025

Committee Observation

The Committee observed that—

- i. the Company prepared an unbalanced budget with projected expenditure of Kshs.84,802,000 exceeding anticipated income of Kshs.80,162,000 by Kshs.4,640,000, with no identified source of additional funding;
- ii. actual revenue of Kshs.47,121,677 fell short of the budget by Kshs.31,278,323, representing a 40% under-collection; and
- iii. unauthorized expenditure was incurred on staff costs, general and operations expenses, and pending bills totalling Kshs.8,558,684 above approved budget allocations, although Management tabled Board approval minutes dated 02/01/2025 for the additional expenditure.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer complies with Section 149(2)(b) of the Public Finance Management Act, Cap.412A in the preparation and management of financial and accounting records, 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 the Accounting Officer strengthens revenue collection through universal metering, tariff review, and the credit collection unit to reduce the revenue shortfall; and
- iii. the Auditor-General monitors budget performance and compliance and reports in the subsequent audit cycle.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Non-Revenue Water

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect Kshs.47,121,677 in respect to revenue from sale of water. Review of the Company's records revealed that a total of 3,024,000 cubic meters (M³) of water was produced and a total of 612,352 cubic meters (M³) was billed to customers. The balance of 2,411,648 cubic meters (M³) or approximately 80% of the total water produced represent non-revenue water. The non-revenue water exceeded the 25% threshold of total production set in the guidelines issued by the Water Services Regulatory Board (WASREB).

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

Management Response

The company infrastructure is old and needs frequent repair, causing the company loss water.

The company had issued notices and had a series of customer engagement clinics in an effort to address the issues of unmetered customers, so as to arrest the issue of non-revenue water.

The company has in consultation with the Regulator and the three county governments, Kajiado, Makueni and Machakos agreed on concerted efforts that will see the success of implementation of universal metering policy, approved by the board of directors, to help the company address issues of non-revenue water which is anticipated to improve revenue streams. The following strategies have been put into place

- i) Surveillance activities along the pipeline have been planned effective January 2026 which will culminate in universal metering for all customers.
- ii) Universal metering

- iii) Repairs of pipeline
- iv) Disconnection of illegal water connections

Committee Observation

The Committee observed that Non-Revenue Water stood at approximately 80% of total production of 3,024,000 M3, with only 612,352 M3 billed to customers, far exceeding the WASREB threshold of 25%.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer monitors and oversees the implementation of measures to mitigate Non-Revenue Water, addressing both physical and commercial losses, and reports progress to the Auditor-General for review in the subsequent audit cycle;
- ii. the Governor ensures that the Accounting Officer segregates NRW into physical and commercial losses so that the water company can ascertain and identify specific mitigating measures to effectively address and reduce NRW levels;
- iii. the County Government collaborates with the Ethics and Anti-Corruption Commission (EACC) to ensure pre-emptive measures are put in place to reduce cases of theft and illegal connections; and
- iv. the EACC investigates the causes of the critically high NRW, including potential commercial theft, illegal connections, staff collusion, or administrative lapses, and provides a status update to the Senate within 90 days of the adoption of this report.

2.- Use of Unapproved Water Tariff -

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue totalling Kshs.47,121,677. However, the amount was not supported by a gazetted water tariff by Water Services Regulatory Board (WASREB) as required. The water Company currently uses the Extraordinary Tariff Adjustment which is undated and ungazetted.

In the circumstances, the accuracy of the water tariff applied by the Water Company and the actual revenues collected could not be confirmed.

Management Response.

The company is currently using the Extraordinary Tariff Adjustment which was gazetted on 26th November 2010. However, an application for an updated tariff which is under review by WASREB. We have attached the correspondences to WASREB and Gazette notice for the extra ordinary tariff your reference.

Committee Observation

The Committee observed that the company's tariff was approved and reviewed by WASREB.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3. Non-Remittance of Statutory Dues

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflect staff costs amounting to Kshs.38,795,935. However, the following anomalies were noted:

i. Non-Remittance of Pension

Review of payroll records revealed that Kshs.196,588, relating to pension and gratuity during the period under review had not been remitted to respective Retirement Benefit Schemes, despite statutory deductions being made. In addition, the Company had outstanding accrued expenses totalling Kshs.19,725,627 in respect to pension and gratuity that had not been remitted for a period of more than one (1) year despite deductions being made. No justification was provided for the non-remittance of the statutory deductions to the respective retirement schemes.

ii. Failure to Deduct and Remit Affordable Housing Levy

Review of the supporting schedules for staff costs revealed that the Company did not deduct and remit Affordable Housing Levy and NITA expenses from the gross salaries to the respective statutory bodies. Although Management explained that it was due to financial constraints, it was unclear why the deductions were not effected in the payroll. This is contrary to Section 4(2a) of the Affordable Housing Levy Act, 2024 which requires employers to deduct one point five percent of the gross salary of an employee.

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

Management Response

The company has been falling short of targeted revenue collections making it hard for the company to meet its obligations once they fall due.

Through metering of customers and updating the water tariff, the company will improve revenue so as to remit the deductions in time.

The company has however been deducting the dues from the payroll. We have attached our payrolls and payment plans for your review.

The company has put in to place a payment plans to be implemented on a monthly basis.

Committee Observation

The Committee observed that—

- i. pension and gratuity deductions of Kshs.196,588 for the year under review and accrued outstanding pension obligations of Kshs.19,725,627 for more than one year had not been remitted to the respective retirement benefit schemes despite deductions having been made from employee salaries; and
- ii. the Company failed to deduct and remit Affordable Housing Levy contrary to Section 4(2a) of the Affordable Housing Levy Act, 2024, and did not deduct NITA expenses, exposing the Company to legal liability and penalties.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures the Accounting Officer develops a structured repayment plan for all outstanding pension, gratuity, and statutory deductions and submits evidence of remittance to the Senate and Auditor-General within 60 days of the adoption of this report; and
- ii. the Governor ensures the Accounting Officer commences deduction and remittance of Affordable Housing Levy and NITA in compliance with the law, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply.

4. Irregularities in Maintenance of Motor Vehicle

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect Kshs.1,741,075 in respect to maintenance expenses which include Kshs.879,200 in respect to maintenance of vehicles.

However, review of a sample of records including payment vouchers, invoices and local service orders amounting to Kshs.623,280 revealed the following anomalies:

- i. The procurement documents including the requisition from the user, quotations, opening and evaluation minutes and professional opinion showing how the services of the garages were procured were not provided for audit review.
- ii. Job cards and the inspection reports for the services rendered were not provided for audit review contrary to Section 48(3)(a)(b) of the Public Procurement and Assets Disposal Act, 2015 which states that the Inspection and Acceptance Committee shall immediately after the delivery of goods, works and services inspect and where necessary, test the goods received and also ensure that the goods, works and services meet the technical standard defined in the contract.
- iii. The pre-inspection and post-inspection reports for the job done were not provided for audit review.

In circumstances, the occurrence and value for money totalling Kshs.623,280 could not be confirmed.

Management Response.

The procurement process was duly followed and the required documents have been shared for review

Committee Observation

The Committee observed that Management tabled procurement documents for vehicle maintenance but job cards and inspection reports for the services rendered were not provided for audit review, contrary to Section 48(3)(a)(b) of the Public Procurement and Assets Disposal Act, 2015.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer provides all job cards, pre-inspection and post-inspection reports for the vehicle maintenance expenditure of Kshs.623,280 to the Auditor-General for verification within 60 days of the adoption of this report; and

- ii. **the Governor ensures the Accounting Officer constitutes an Inspection and Acceptance Committee and strengthens internal controls over maintenance of motor vehicles to ensure that job cards and inspection reports are generated and maintained for all maintenance works going forward, in full compliance with Section 48(3)(a)(b) of the Public Procurement and Assets Disposal Act, 2015, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply.**

1.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF OLKEJUEDO WATER AND SEWARAGE COMPANY FOR THE FINANCIAL YEAR 2024/2025

The Governor of Kajiado County, Hon. Joseph Ole Lenku EGH, appeared before the Committee on Wednesday 28th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Olkejuedo Water and Sewerage Company limited for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|---------------------------|----------------------|
| 1. Mr. Micheal Semera | - CECM Finance |
| 2. Ms. Judy Pere | - CECM Water |
| 3. Mr. Jacob Sempeke | - CO Water Services. |
| 4. Mr. Aliero Peter cloma | - Managing Director |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the financial statements of Olkejuedo Water and Sewerage Company limited for the period under review on the following basis-

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Long outstanding Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.39, 556,385 which includes receivables totalling Kshs.36, 244,985 which have remained outstanding for more than one hundred and eighty (180) days, casting doubt on their recoverability.

In addition, as previously reported the balance also includes un-surrendered imprest balance of Kshs.1, 036,444 which has been outstanding for more than one year but were not supported with the particulars of imprest holders and the respective amounts. No explanation was provided for failure to recover the imprests from the defaulters.

In the circumstances, the accuracy, recoverability and fair statement of trade and other receivables balance of Kshs. 39,556,385 could not be confirmed.

Management Response.

Long outstanding debts were primarily due to inconsistency of water supply. The Management has instituted various means to strengthen revenue collection and reduce aged debts by establishing a Debt Recovery/Collection Unit, engaging customers through structured partial payment agreements and through demand letters. Copies of demand letters and part-payment agreements have been attached for perusal and verification.

The un-surrendered imprest of Kshs.1,036,444 that remained outstanding during the year under review was an imprest taken during the financial years between 2008 and 2010. The Management presented the issue to the Board of Directors for deliberation on the next cause of action. A copy of the letter to the Board is hereby attached for perusal and verification.

Committee Observation

The Committee observed that—

- i. trade and other receivables outstanding for more than 180 days amounted to Kshs.36,244,985 out of a total receivables balance of Kshs.39,556,385, casting doubt on their recoverability; and
- ii. the balance further included un-surrendered imprest of Kshs.1,036,444 outstanding for more than one year, dating back to financial years 2008 to 2010, without particulars of imprest holders or amounts, and although Management presented the matter to the Board of Directors for deliberation, no evidence of a resolution or recovery action was provided.

Committee Recommendation

The Committee recommends that—

- i. the Governor ensures the Accounting Officer submits a comprehensive debtors schedule with an updated ageing analysis to the Auditor-General within 60 days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer intensifies debt recovery efforts including demand notices, disconnection of non-paying customers, and structured payment plans, and submits a status report to the Senate within 60 days of the adoption of this report;
- iii. the Governor ensures the Accounting Officer provides full particulars of imprest holders with outstanding balances and implements recovery

- measures including surcharge where applicable, in compliance with the Public Finance Management Act; and
- iv. the Auditor-General monitors implementation and reviews recoverability of the outstanding receivables in the subsequent audit cycle.

2.0 Material Uncertainty Related to Going Concern

As previously reported, the statement of profit or loss and other comprehensive income reflects an operating loss of Kshs.19,419,761 (2023/2024: Kshs.21,734,787) which raised the Company's accumulated loss to Kshs.103,801,163 (2023/2024 Kshs.82,054,419) as at 30 June, 2025. In addition, the statement of financial position reflects current liabilities balance of Kshs.122, 943,514 against current assets balance of Kshs.40, 027,459, resulting to negative working capital of Kshs. 82,916,055. If the trend continues into unforeseeable future, the Company might not be able to meet its obligations as and when they fall due.

Management Response

The Management noted the observation regarding the accumulated loss and negative working capital. During the financial year under review, the Company faced financial challenges due to low water production as a result of limited water sources, customer defaulting on payments, and frequent power disconnections hence disruption of services.

However, The Company has progressively been addressing the above challenges aimed at improving financial sustainability by: -

- i) Implementing the new tariff which was effected from July 2025. This will enable the company to settle most of its obligations;
- ii) Operationalizing Kitengela Water Supply Project in financial year 2025/2026 which will boost the Company's revenue base;
- iii) Solarization of the water sources which will reduce power cost by 30%; To this end Water Office Borehole, Oloosuyian 2No. Boreholes, Bissil 2No. Boreholes and Isinya 2No. Boreholes have been solarized by the County Government of Kajiado.
- iv) Increasing coverage of water supply to the last mile e.g. in Kitengela and Kajiado towns

financial year, the board will operate on the correct approved annual board work plan and Board Charter.

Committee Observation

The Committee observed that the hospital has annual work plan and a board charter.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

9. Non-Functional Internal Audit Function and An Audit Committee of the Board

Review of records revealed that the Hospital established an internal audit function and an Audit Committee of the Board. However, the Audit Committee did not hold any meeting during the year under review. In addition, the internal audit function was ineffective as no internal audit report was provided for audit review.

Management Response

The management acknowledges the non-functional internal Audit function and a board Audit committee. However, the hospital board had a meeting and resolved to ensure all the sub-committees, including the audit committee, are functioning and discharging their duties as per the law.

Committee Observation

The Committee observed that although the hospital had established an internal audit function and an Audit Committee of the Board, the Audit Committee did not hold any meetings during the year under review and no internal audit reports were provided for audit verification.

Committee Recommendation

The Committee recommends that –the Governor should ensure that the Accounting Officer operationalizes a fully functional internal audit unit and Audit Committee in accordance with section 155 of the Public Finance Management Act, Cap. 412A, and ensures regular audit reports are prepared and submitted for review, failure to which the provisions of section 199 of the Public Finance Management Act on penalties shall apply.

10. Lack Of an Approved ICT Security Policy and A Disaster Recovery Plan

Review of the Hospital's Information Technology systems revealed that the Hospital did not have an approved ICT Policy for governance and management of its ICT resources. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy Framework. Lack of an approved ICT Policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Hospital's ICT assets.

Management Response:

The management noted the gap and is in the process of developing the ICT policy for the facility to safeguard the ICT assets. Meanwhile, the hospital is using the national ICT policy, which was presented to the auditors.

Committee Observation

The Committee observed that the hospital has put in place a strategic and steering committee to ICT policy.

Committee Recommendation

The committee recommends that the Auditor to update the status in the subsequent audit cycle.

11: Failure To Back-Up Financial Data and Maintain Audit Trail

Review of the Hospital's financial records revealed that the Hospital's records are maintained in Microsoft Excel which lacks an audit trail with no backup system. Further, the use of Excel is manipulatable, and exposes the Hospital's financial information to risks of inaccuracies, inefficiencies and loss of data. In the circumstances, data integrity and reliability of the accounting records could not be confirmed.

Management Response:

The management noted the gap and immediately held a meeting to procure an accounting system. The system was installed and is in use.

Committee Observation

The Committee observed that the management has put in measures to implement a financial backup system.

Committee Recommendation

The committee recommends that the Auditor to update the status in the subsequent audit cycle.

2.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF ONGATA RONGAI SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Kajiado County, Hon. Joseph Ole Lenku EGH, appeared before the Committee on Wednesday 28th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Ongata Rongai Sub-County Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

- | | |
|-----------------------|--------------------------|
| 7. Mr. Micheal Semera | - CECM Finance |
| 8. Mr. Alex Kilowua | - CECM Health |
| 9. Dr. Mariow Mukira | - Medical Superintendent |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered **qualified opinion** on the financial statements of Ongata Rongai Sub-County Hospital for limited for the period under review on the following basis-

1: Unconfirmed Rendering of Services – Medical Service Income

The statement of financial performance and as disclosed in Note 11 to the financial statements reflect Kshs. 42,563,948 in respect to rendering of services – medical service which relate to services rendered to patients. However, revenue billing reports indicating the revenue generated from each patient were not provided for audit review.

Management Response

In Ongata Rongai Sub County Hospital, all patients in the FY under review seeking services were registered on a Hospital Information Management System known as CHIS. This system is interconnected to all service points including billing, cashless, consultation, laboratory, pharmacy, etc. Individual patients are billed and receipted as per service offered as demonstrated on the sample receipt list downloaded from the CHIS system in Annex 1A. Further, the System is able to identify the services offered and also the drugs dispensed. The National Taifa Care system through Tiberbu which has been rolled out will be reviewed in 2025/2026 audit.

Committee Observation

The Committee observed that Although management indicated that all patients are registered and billed through the CHIS system, the hospital did not provide verifiable revenue billing reports linking individual patients to services rendered and revenue collected.

Committee Recommendation

The Committee recommends that the Governor should direct the Accounting Officer to ensure that detailed revenue billing reports for each patient are generated and submitted within 90 days of the adoption of this report to the Senate and copy to the Auditor-General to comply with Section 63(a) of the Public Finance Management (County Governments) Regulations, 2015.

2: Unconfirmed Property, Plant Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.443,710,007 which, as disclosed in Note 32 to the financial statements includes land valued at Kshs.300,000,000. However, review of the land ownership documents revealed that the Hospital did not have a title deed and there was an ongoing court case disputing the ownership of the Hospital land. In addition, logbooks for the motor vehicles valued at Kshs.1,850,977 were not provided for audit review.

Management Response

The court case that was ruled and the land which belonged to PCEA foundation was allocated to the county government of Kajiado Annex 2A , which has began meetings with plot owners in the area of the hospital to give guidelines for Title deed allocations awaiting transfer of a title deed as shown in the meeting invitation public notice Annex 2B. The hospital has also received the Ongata Rongai town physical & land use development plan and mutations showing the area demarcated for Ongata Rongai Hospital as per annex 02C. The hospital has recently acquired KRA pin and the transfer of motor vehicle has since commenced as per annex 02D.

Committee Observation

The Committee observed that he hospital's PPE records include land and vehicles that were initially unverified, but management has provided evidence of steps

toward formalizing land ownership and vehicle registration, though full verification and title transfer are still in progress.

Committee Recommendation

- i. Within sixty (60) days of adoption of this report, the Governor, through the CECM responsible for Health, engages with the Ministry of Health to fast-track the transfer of ownership documents for the hospital land, buildings, and vehicles;**
- ii. The Governor ensures that hospital management undertakes the valuation of all hospital assets, including vehicles, and submits the valuation report to the Auditor-General for verification during the next audit cycle;**
- iii. Upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within sixty (60) days of adoption of this report and submit it 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 on penalties shall apply.**

3: Unconfirmed Inventory Balance

The statement of financial position reflects inventories balance of Kshs.7,104,282 as disclosed in Note 31 to the financial statements. However, the stock take reports provided for audit review were not signed by members who conducted the annual stock take.

Further, review of the stores records and bin cards revealed that the Hospital lacked an Inventory Management Policy that defines the issuance system adopted for pharmaceutical and non-pharmaceutical supplies including replenishment of stock, receipt and dispatch of drugs, inspection of available stocks and how stock expiry date was tracked and disposal undertaken.

Management Response:

The hospital follows the National inventory management policy and from the County Inventory from which we have developed SOPS (Annex 3A) for the supplies replenishment system; as per need the departments raise a requisition 3B as per the budget allocated by the HMT. Three quotations are raised and sent to suppliers who fill them and returned them sealed. These are opened by the EEC as shown in the Minutes in Annex 3C. The lowest bidder is awarded and supplies the goods that are received by the Inspection and Acceptance Committee as shown in minutes in Annex 3D. The goods after being received are entered in manual bin cards as shown in Annex 3E. The goods are issued using S11 to departments. Regular checks of replenishment of stock, receipt and dispatch of drugs, inspection of available stock and how stock expiry was tracked and disposal undertaken is well noted and the management will take upon itself to update the existing procurement system. Waste disposal of expired goods is done in compliance with the public health Act Cap 242.

The management invited members through a memo. This was undertaken at the end of the financial year and was initiated by the HMT in a Meeting as shown in Annex 3H. Report on pharmacy stock take as at June 30th 2025. All departmental stores carry out regular stock takes.

Committee Observation

The committee observed that the hospital has provided evidence of SOPs, stock take processes, issuance systems, and compliance with disposal regulations.

Committee recommendation

The Committee recommends that the matter be marked as resolved.

4. Unsupported Receivables from Exchange Transaction

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 9,491,847 as disclosed in Note 29 to the financial statements. However, the supporting documents including schedules, invoices raised, confirmations from Social Health Authority and Facility Improvement Fund, reconciliations and correspondence on outstanding claims were not provided for audit review.

This is contrary to Regulation 104(1) of Public Finance Management (County Governments) Regulations, 2015, which states that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered

receipt and payment vouchers and shall be supported by the appropriate authority and documentation

Management Response

Management stated that receivables comprise Kshs. 5,648,240 from SHA, which are obtained through a SHA online platform (Annex 4A). The Government has rolled out the Taifa Care Tiberbu system for management of patient data and SHA claims; the system is able to generate reports on funds claimed (Annex 4B). The FIF reimbursement of Kshs. 1,896,028 being FIF reimbursement for May 2025 and Kshs. 1,947,579 FIF for June 2025 are as per the attached bank statement.

Committee Observation

The Committee observed that-

- i. Management provided receivables from exchange transactions supported by the SHA online platform reports and facility bank statements, but the analysis does not clearly distinguish between receivables outstanding and amounts already received.
- ii. The Committee further observed that without proper reconciliation schedules and aging analysis, the completeness and accuracy of the receivables balance of Kshs. 9,491,847 could not be independently confirmed.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer maintains proper schedules, aging analyses, and reconciliation ledgers for all receivables disclosed in the financial statements, supported by invoices raised, SHA confirmations, and correspondence on outstanding claims, in compliance with Regulation 104(1) of the PFM (County Governments) Regulations, 2015.
- ii. The Governor ensures the Accounting Officer clearly distinguishes between amounts receivable and amounts already received in all financial reporting and the Auditor-General confirms the adequacy of receivables management in the subsequent audit cycle.

5. Unconfirmed Employees Costs

The statement of financial performance reflects employee costs of Kshs. 215,866,619 as disclosed in Note 16 to the financial statements. Included in the amount is Kshs. 6,715,906 in respect to casuals and contractual workers. However, the master roll for casual workers to record their daily work and salary structure, formal requests done from the head of department on the need to engage casuals, advertisements for vacancies and records on how the recruitment was done were not provided for audit review. Further, the casuals' payments were not backed up with a bank remittance form and a signed payment schedule.

Management Response:

The master roll was presented as per the attached ANNEX 5A. The management has assigned to the HR officer weekly verification on the master roll. The head of departments met and discussed on the need to engage casuals; it was discussed in the HMT meeting. A notice of recruitment was placed on the notice board at the hospital as sampled in Annex 5C, and interview procedure 5Cii. The casual's payment schedule has been signed as per Annex 5D. The management uses Equity Bank online salary remittance system to pay the casual salaries. The actual payment is computed and a bank request is written to equity bank after the banking of the cheque for the particular month.

Committee Observation

The Committee observed that management has provided the master roll, recruitment records, payment schedules, and evidence of bank remittance, ensuring that employee costs are now properly supported and verifiable.

Committee Recommendation

The committee recommends that the matter be marked as resolved.

6. Inaccurate Cash and Cash Balances Equivalent

The statement of cashflows and the statement of financial position reflects cash and cash equivalents balance of Kshs. 204,869 which differs with the recalculated balance of Kshs. 1,726,227, resulting in an unexplained variance of Kshs. 1,521,358. This inconsistency casts doubt on the accuracy and reliability of the financial statements prepared by the Hospital for the financial year 2024/2025.

Management Response

Management stated that the cash flow had a typographical error on the financial statement which was amended and discussed with the auditor and approved. However, a prior year adjustment will be confirmed in the 2025/2026 financial statements.

Committee Observation

- i. The Committee observed that the Hospital's statement of cashflows reflected an unexplained variance of Kshs. 1,521,358 arising from a typographical error, and that Management has provided an amended cashflow statement which was discussed and approved with the auditor.
- ii. The Committee further observed that the prior year adjustment required to fully reconcile the discrepancy has not yet been effected in the financial statements and will only be reflected in the 2025/2026 accounts.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures the Accounting Officer carries out a prior year adjustment in the 2025/2026 financial statements to correct the variance of Kshs. 1,521,358 and submits evidence of the same to the Auditor-General.
- ii. The Auditor-General confirms the accuracy of the cashflow and cash equivalents balance in the subsequent audit cycle.
- iii. The Governor ensures the Accounting Officer institutes checks to ensure all financial statements are cross-referenced and reconciled before submission for audit, to avoid recurring typographical errors that affect the reliability of financial reporting.

REPORT ON LAWFULLNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

i. Lack of an Approved Procurement Plan

Review of records revealed that the Hospital did not have an approved Procurement Plan, contrary to Regulations 114(2) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates

that a Procurement Plan shall be prepared every year by Accounting Officers to form the basis for procurement activities undertaken by Government entities in the fiscal year

Management Response

Management stated that the procurement plan for the period under review was approved by the hospital board through minutes dated June 27th, 2024 of a full board meeting.

Committee Observation

The Committee observed that the hospital has a procurement plan in place

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital's records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit in September 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficit by thirty (30) or approximately 31% of the authorized establishment.

In addition, the Hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines.

These deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including Reproductive Health Care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

Management Response

Management stated that the County Department of Health and the Board of the hospital is continually seeking to improve infrastructure, staffing and equipment as per Kenya Quality Model for Health Policy Guidelines and Health Policy Guidelines. The board had meetings with the CECM of Health on the staffing and equipment issues (Annex 8A). 26 additional staff had been posted to the hospital

between April and June 2025 to curb the staffing shortage. Recruitment procedure would not be determined as salary payment is done by the County Government.

The National Equipment Service program has supplied Ongata Rongai Hospital with an Ultrasound machine and theatre equipment (Annex 8C). The CECM for Health lobbied through the MCA for Nkaimurunya for construction of a CT Scan room and the area MCA allocated Kshs. 3,000,000 However, there is still shortage as per the Quality Model for Health Policy Guidelines.

Committee observation

The Committee observed that the Hospital did not meet the minimum staffing, equipment, bed capacity, service provision, and digital health system requirements as prescribed by the Kenya Quality Model for Health Policy Guidelines.

Committee Recommendation

The Committee recommends that—

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

3. Irregular Engagement of Casual Workers

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect employee costs of Kshs. 215,866,619 which includes Kshs.

6,715,906 in respect to casuals and contractual workers who had been engaged for more than three (3) months.

This is contrary to Section B.16(1) of the County Public Service Human Resource Manual of May, 2013, which states that casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007.

Management Response

Management stated that Kajiado County has a short-term engagement policy which the Hospital used to engage contractual workers (Annex 9A), as delegated by the County Public Service Board (Annex 9Aii). The hospitals have signed contracts with the support staff (Annex 9Aiii). Hospitals are very sensitive areas when it comes to infection and spread of diseases including Ebola, Corona, Mpox and other highly infectious diseases; hence the management uses a lot of resources and time to train individual casuals on Infection.

Committee Observation

The Committee observed that-

- i. the Hospital had engaged casual workers for more than three months, contrary to the County Public Service Human Resource Manual, but has since contracted a cleaning services company to address the underlying gap, which was verified by the Auditor-General.
- ii. The Committee further noted that the Hospital's reliance on long-serving casuals was justified by Management on grounds of Infection Prevention and Control training requirements in a hospital setting.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

4. Lack of Quarterly Revenue Reports

During the year under review, the Hospital did not prepare and submit quarterly revenue reports to the County Treasury with a copy to the Auditor-General.

This is contrary to Regulations 64(1) and (4) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the Accounting Officer or Receiver of Revenue or Collector of Revenue shall prepare a quarterly report not later than the 15th day after the end of the quarter and submit them to the County Treasury, with a copy to the Auditor-General and to the County Assembly.

Management Response

Management stated that the reports have been submitted through the Kajiado County Revenue Department on a quarterly basis email. Going forward, the hospital stands advised to send quarterly revenue reports to OAG.

Committee Observation

The Committee observed that-

- i. the Hospital failed to prepare and submit quarterly revenue reports to the County Treasury and the Office of the Auditor-General as required by law, and that Management's claim of having submitted reports via email through the County Revenue Department was not supported by any documentary evidence.
- ii. The Committee further observed that routing reports solely through the County Revenue Department rather than directly to the Auditor-General and the County Assembly deviates from the prescribed legal channel and undermines transparency and accountability.

Committee Recommendation

The Committee recommends that –

- i. the Governor ensures the Accounting Officer institutes a system to prepare and submit quarterly revenue reports directly to the County Treasury, with copies to the Auditor-General and the County Assembly, as required under Regulations 64(1) and (4) of the PFM (County Governments) Regulations, 2015, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties shall apply.
- ii. The Accounting Officer should develop an internal reporting calendar with clear deadlines and assigned responsibilities for the preparation, review, and dispatch of quarterly revenue reports to avoid future omissions.

- iii. **The Hospital must retain verifiable evidence of all report submissions including email acknowledgements, delivery receipts, or written confirmations and avail these to auditors during audit exercises and the Auditor-General confirms compliance with quarterly revenue reporting requirements in the subsequent audit cycle.**

5. Irregular Expenditure on Food and Ration

The statement of financial performance reflects Medical/Clinic costs of Kshs. 24,126,684 which, as disclosed in Note 15 to the financial statements, includes food and ration amount of Kshs. 3,509,902. However, review of procurement records revealed that there was no evidence of a market survey having been conducted.

This is contrary to Regulation 33(3) (aa) of the Public Procurement and Assets Disposal Regulations, 2020, which stipulates that the role of the procurement function shall be to carry out market surveys to inform the placing of orders or adjudication by the relevant awarding Authority.

Management Response

Management stated that the hospital management carried out a market survey as per the procurement regulations on 10th November 2025. It was then discussed in the management meeting. The full procurement procedure was followed the implementation will be followed upon in the next audit

Committee Observation

The Committee observed that Management conducted a market survey on 10th November 2025 and followed the full procurement procedure, which was verified by the Auditor-

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

6. Failure to retain Facilities Improvement Funds at the Hospital

Review of revenue records revealed that the Hospital collected a total of Kshs. 35,440,680 towards the health facilities improvement which included a total of Kshs. 24,808,476 that was transferred to the County Revenue Fund. This is 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.

Management Response

Management stated that all revenues generated by public health facilities are managed in accordance with Sections 5(1), 6(1) and 6(2) of the Kajiado County Health Improvement Fund Act, 2020, which establish the Health Improvement Fund and provide that revenues generated by county health facilities shall be paid into and form part of the Fund for purposes of improving health service delivery. In compliance with Article 207 of the Constitution of Kenya, 2010 and Section 109 of the Public Finance Management Act, 2012, such revenues are procedurally receipted through the Special Purpose account for accountability and audit control. This process does not amount to diversion or loss of the funds, which remain legally ring-fenced for the health sector.

Distribution of Health Improvement Fund resources is undertaken in accordance with Regulation 15 of the Kajiado County Health Improvement Fund Regulations, which provides for an equitable and needs-based allocation formula. The formula takes into account the level of the health facility, service delivery workload, operational costs, and equity considerations. The Hospital therefore affirms that both the remittance and distribution of health facility revenues are fully compliant with the applicable legal framework.

Committee Observation

The Committee observed that –

- i. the Hospital transferred Kshs. 24,808,476 of the FIF collection to the County Revenue Fund contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023,
- ii. The Committee further observed that Management's justification citing the Kajiado County Health Improvement Fund Act, 2020, does not override the provisions of the national Facilities Improvement Financing Act, 2023.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures the Hospital strictly retains all FIF revenues at facility level and pays them into a separate Facility Improvement Financing Account in compliance with Section 5(1) of the Facilities Improvement Financing Act, 2023.
- ii. Within sixty (60) days of adoption of this report, the Governor ensures that the standing bank order or any arrangement facilitating unauthorized transfers of FIF to the County Revenue Fund is cancelled,

- and evidence of cancellation is submitted to the Senate and copy to the Auditor General. And
- iii. The Governor ensures that all FIF funds improperly transferred to the County Revenue Fund are returned to the Hospital's FIF operational account within sixty (60) days of the adoption of this report.

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

1. Lack of an Approved Annual Board Work-plan and a Board Charter

During the year under review, the Hospital Management did not prepare an annual workplan for review of Management's implementation of strategies, policies and plans, and a Board Charter to define the role, responsibilities and functions of the Board in the governance of the organization.

This is contrary to Section 1.9 of the Mwongozo, the Code of Governance for State Corporations, which states that Board members should ensure the development of an annual Board work-plan, and Section 1.11 of the Mwongozo Act, 2015, which states that the Board should develop and adopt a Board Charter.

Management Response

Management stated that the Hospital Board had developed a priority list on the specific achievements that the board hoped to achieve (Annex 13A). Each member was allocated a specific responsibility as shown in the minutes (Annex 13B). The County developed a Board Charter that has since been adopted by the ORSCH Board.

Committee Observation

The Committee observed that the board has since developed and adopted a board charter and was verified by the Auditor.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Failure to Maintain an Updated Fixed Asset Register

The statement of financial position and as disclosed in Note 32 to the financial statements reflect property, plant and equipment balance of Kshs. 443,710,007. However, review of the Hospital's records and physical verification revealed that the Hospital did not maintain an updated fixed assets register to control its assets.

This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Management Response

Management stated that the hospital has an updated fixed assets register (Annex 14A) and the assets are tagged appropriately.

Committee Observation

The Committee observed that Management tabled an updated fixed assets register and evidence of asset tagging, but the register does not include all assets, notably land and motor vehicles, as verified by the Auditor-General.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures the Accounting Officer maintains a comprehensive and updated fixed assets register that includes all assets including land, buildings, motor vehicles, furniture, computers, and equipment with all relevant details in accordance with Regulation 136(1) of the PFM (County Governments) Regulations, 2015 and upon finalization of land and motor vehicle ownership documents, these assets should be immediately incorporated into the register.
- ii. The Auditor-General confirms the completeness of the fixed assets register in the subsequent audit cycle.

3. Lack of Approved ICT Security Policy and a Disaster Recovery Plan

Review of the Hospital's Information Communication and Technology systems revealed that the Hospital did not have an approved ICT Policy for governance and management of its ICT resources. In addition, there is no ICT Steering Committee in place to assist in the development of an ICT Policy Framework to enable the Hospital realize long-term ICT strategic goals. Lack of an approved ICT Policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Hospital's ICT assets.

Further, the Hospital did not have an approved Disaster Recovery Plan/Business Continuity Plan. In the absence of the plan, the Hospital lacks a system of mitigating against disasters and ensuring that its operations are not disrupted in case of a disaster.

This is contrary to Section 3.6 of the Mwongozo, and Section 158(1) of the PFM (County Governments) Regulations, 2015.

Committee Observation

The Committee observed that-

- i. the Hospital has adopted the County ICT policy as its own, which was verified by the Auditor-General, but a dedicated ICT Steering Committee and a Disaster Recovery Plan/Business Continuity Plan have not yet been formally put in place.
- ii. The Committee further observed that without a standalone ICT Steering Committee and a Disaster Recovery Plan, the Hospital remains exposed to information security risks, potential data loss, and operational disruptions in the event of a disaster or system failure.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures the Hospital Board formally appoints a standalone ICT Steering Committee to oversee the development, implementation, and review of ICT policies in compliance with Section 3.6 of the Mwongozo within 90 days from the adoption of this report and provide evidence to the Senate and copy to the Auditor- General for verification
- ii. The Governor ensures the Accounting Officer should develop and obtain Board approval for a dedicated ICT Security Policy and a Disaster Recovery Plan/Business Continuity Plan within ninety (90) days of the adoption of this report, before handing over the authority for implementation.

4. Failure to Back-up Financial Data and Maintain Audit trail

Review of the Hospital's financial records revealed that the Hospital's records are maintained in Microsoft Excel with no backup system, leading to a lack of an audit trail. Further, the use of Excel is manipulatable and exposes the Hospital's financial information to risks of inaccuracies, inefficiencies and loss. In addition, it fails to provide for approval and authorization of transactions.

This is contrary to Section 68(2)(c) of the Public Finance Management Act, 2012, which states that an Accounting Officer shall ensure that all financial and accounting records the entity keeps in any form, including in electronic form, are adequately protected and backed up.

Management Response

Management stated that the County has acquired a revenue management system (Annex 16A) which is being rolled out to the hospitals. The hospital has procured QuickBooks financial management system (Annex 16B) which replaced the manual cash book and also Excel. The hospital is rolled out on the National Taifa Care digital health system (Annex 16C) which manages all the payments by SHA and provides monthly reports.

Management is in agreement with the issue and has rolled out a revenue and financial management system. Follow up on the implementation will be done in the next audit.

Committee Observation

The Committee observed that-

- i. the Hospital was maintaining financial records in Microsoft Excel without a backup system or audit trail, contrary to Section 68(2)(c) of the Public Finance Management Act, 2012, and that Management has since procured QuickBooks and adopted the National Taifa Care digital health system.
- ii. The Committee further observed that while the systems have been rolled out, verification of their full operationalization, backup capabilities, and audit trail functionality is pending confirmation in the subsequent audit cycle.

Committee Recommendation

The Committee recommends that-

- i. the Governor ensures that the Accounting Officer fully operationalizes a digital financial management system with robust backup and audit trail capabilities within 90 days from the adoption of this report. This should include enforcing proper approval and authorization workflows for all transactions, in compliance with Section 68(2)(c) of the Public Finance Management Act, 2012,
- ii. the Governor ensures the Accounting Officer ensures that all relevant staff are adequately trained on the utilization of the QuickBooks and revenue management systems, to enhance accuracy in financial

reporting and ensure compliance with Section 68(2)(c) of the Public Finance Management Act, 2012.

5. Lack of Risk Management Policy and Strategy

The Hospital Management did not have a Risk Management Policy, strategies, and risk register to mitigate against risks. It was, therefore, not clear how Management manages risk exposures. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal controls that builds robust business operations.

Management Response

Management stated that the hospital management has a risk management policy in place that has been adopted from the Kajiado Risk management policy (Annex 17). The hospital will introduce a risk register. Implementation and adherence to the policy will be checked on in the next audit

Committee observation

The Committee observed that the hospital has adopted the county Risk Management policy but the risk register has not been developed and operationalized.

Committee Recommendation

The Committee recommends that –

- i. Within 90 days from the adoption of this report, the Governor ensures the Accounting Officer develops, approves, and implements the risk management policy and strategy, and prepares a comprehensive risk register covering all key operational, financial, and compliance risks facing the Hospital in line Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.
- ii. The Auditor-General confirms the implementation and effectiveness of the risk management policy and the operationalization of the risk register in the subsequent audit cycle.

CHAPTER THREE: FUNDS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS OF FUNDS IN KAJIADO COUNTY FOR THE FINANCIAL YEAR 2024/2025

REPORT ON THE FINANCIAL STATEMENTS

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various funds in Kajiado 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. Kajiado County Emergency Fund
2. Kajiado County Executive Car and Mortgage fund
3. Kajiado County Alcoholic Drinks Control Fund
4. Kajiado County Climate Change Fund
5. Kajiado County Disability Mainstreaming Fund
6. Kajiado County Education Bursary Grants and Scholarship Fund
7. Kajiado County Youth and Women Enterprise Fund
8. Receiver of Revenue - County Government of Kajiado
9. County Revenue Fund-County Government of Kajiado

Committee Observation

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

Committee Recommendation

The Committee recommends that-

- i. the Governor through the respective accounting officers ensures that appropriate remedial actions are taken to address the issues raised in the Auditor-General's report on the financial statements for the aforementioned 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.**



13TH PARLIAMENT 5TH SESSION

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

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

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

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

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

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

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

MIN. NO. SEN/CPICSF/384/2026

**CONSIDERATION AND ADOPTION OF
REPORTS**

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

1. Kajido County

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

2. Kiambu County

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

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

3. Homabay

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

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

4. Migori

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

5. Kisii

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

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

6. Machakos

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

7. Baringo

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

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

8. Isiolo

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

9. Busia

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

10. Kakamega

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

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

11. Bungoma

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

12. Kitui

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

13. Siaya

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

14. Laikipia

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

15. Turkana

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

16. Narok

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

17. Uasin Giishu

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

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

18. Nairobi

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

19. Meru

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

20. Trans-Nzoia

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

21. Nakuru

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

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

22. Kilifi

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

23. Kericho

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

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

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

Committee resolution


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

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

There was no any other business.

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

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



SIGNED: DATE:31.03.2026.....

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

ANNEXTURES

Minutes of the Committee