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REPUBLIC OF KENYA



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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 SAMBURU COUNTY WATER COMPANY, MUNICIPALITY, HOSPITALS AND FUNDS FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
WATER COMPANY	1	SAMBURU WATER AND SANITATION COMPANY LIMITED (SAWASCO)
MUNICIPALITY	1	MARALAL MUNICIPALITY
HOSPITALS	2	SAMBURU COUNTY TEACHING AND REFERRAL HOSPITAL BARAGOI SUB-COUNTY HOSPITAL
FUNDS	6	SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE FUND SAMBURU COUNTY BURSARIES FUND SAMBURU COUNTY CLIMATE CHANGE FUND SAMBURU COUNTY CONSERVANCIES FUND SAMBURU COUNTY PERSONS LIVING WITH DISABILITY FUND SAMBURU COUNTY YOUTH AND WOMEN ENTERPRISE DEVELOPMENT FUND

30/03/26

MARCH, 2026

APPROVED
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ACRONYMS AND ABBREVIATIONS

CCO	Chief County Officer
CECM	County Executive Committee Member
CEO	Chief Executive Officer
EACC	Ethics and Anti-Corruption Commission
EGH	Elder of the Golden Heart
FCPA	Fellow Certified Public Accountant
FEFO	First Expiry, First Out
FSTP	Faucal Sludge Treatment Plant
FY	Financial Year
HDU	High Dependency Unit
HR	Human Resources
ICU	Intensive Care Unit
IGRTC	Intergovernmental Relations Technical Committee
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
KQMH	Kenya Quality Model for Health
LR No.	Land Registration Number
NLC	National Land Commission
NRW	Non-Revenue Water
PFM Act	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
SHA	Social Health Authority
SLA	Service-Level Agreement
UHC	Universal Health Coverage

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

PREFACE

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

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

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

This report covers the consideration by the Committee of the Auditor-General's reports on the financial statements of Maralal Water and Sanitation Company, Maralal Municipality, Baragoi Sub County Hospital and Maralal Teaching and Referral Hospital.

The Governor of Samburu 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 of the following Senators -

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

COMMITTEE SECRETARIAT

1. Mr. Yussuf Shimoy - Clerk Assistant I
2. Mr. Erick Njogu - Clerk Assistant II
3. Mr. Godfrey Nyaga - Clerk Assistant III
4. Mr. Khatib Omar - Clerk Assistant III
5. Mr. Kennedy Owuoth - Fiscal Analyst
6. Mr. Jeremy Chabari - Legal Counsel
7. Mr. Erick Ososi - Research Officer I
8. Ms. Linet Aseka - Research Officer III
9. Mr. Martin Mulandi - Research Officer III
10. Mr. Peter Katana - Research Officer III
11. Ms. Janice Lekuton - Research Officer III
12. Ms. Hamun Abdille - Research Officer III
13. Mr. David Munene - Research Officer III
14. Mr. Josphat Ng'enh - Media Relations Officer
15. Mr. Victor Kimani - Audio Officer
16. Mr. Fredick Okola - Sergeant-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 municipality, hospitals, water company and funds for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025) as the primary documents for the investigations. The Committee invited the Governor of Samburu County as the Chief Executive Officer of the County Government pursuant to Article 179(4) as a witness to respond to the audit queries raised in the reports under consideration.

The 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 ten (10) entities in Samburu County for the Financial Year 2024/2025. The entities covered are: one water company (Samburu Water and Sanitation Company Limited – SAWASCO); one municipality (Maralal Municipality); two hospitals (Samburu County Teaching and Referral Hospital and Baragoi Sub-County Hospital) and six funds (Samburu County Executive Staff Mortgage (Members) Scheme Fund, Samburu County Bursaries Fund, Samburu County Climate Change Fund, Samburu County Conservancies Fund, Samburu County Persons Living with Disability Fund and Samburu County Youth and Women Enterprise Development Fund).

The audit reveals systemic weaknesses in financial management, governance, and service delivery across Samburu County's water company, municipality, hospitals and funds. The Auditor-General rendered an Adverse Opinion on Maralal Municipality, a Disclaimer Opinion on SAWASCO, and Qualified Opinions on Samburu County Teaching and Referral Hospital and Baragoi Sub-County Hospital. Key issues include the fundamental unreliability of financial statements, non-implementation of transferred municipal functions, critical staffing and equipment shortages in hospitals, expired WASREB license and water tariffs at SAWASCO, and widespread non-compliance with the Facilities Improvement Financing Act and the Public Finance Management Act.

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 covers the audit report for Samburu Water and Sanitation Company Limited (SAWASCO) for the Financial Year 2024/2025 and the Committee's observations and recommendations for each query.

CHAPTER TWO covers the audit report for Maralal Municipality for the Financial Year 2024/2025 and the Committee's observations and recommendations on each audit query

CHAPTER THREE covers the audit reports for Samburu County Teaching and Referral Hospital and Baragoi Sub-County Hospital for the Financial Year 2024/2025 and the Committee's observations and recommendations on each audit query.

CHAPTER FOUR covers the audit reports for Samburu County Executive Staff Mortgage (Members) Scheme Fund, Samburu County Bursaries Fund, Samburu County Climate Change Fund, Samburu County Conservancies Fund, Samburu County Persons Living with Disability Fund and Samburu County Youth and Women Enterprise Development Fund for the Financial Year 2024/2025 and the Committee's resolution on these funds.

GENERAL OBSERVATIONS FOR THE WATER COMPANY

The Committee observed that—

1. **Expired WASREB Licence and Water Tariffs:** SAWASCO's Water Services Regulatory Board licence expired on 30 November 2024 and had not been renewed at the time of audit. Additionally, the current water tariff was approved in 2014 and had since expired, with no tariff review initiated, contrary to the Water Act, 2016 and the WASREB Tariff Guidelines, 2024.
2. **Unsupported Financial Statements-**There was a failure to provide supporting documents for the audit process.
3. **Administrative Action:** The Governor of Samburu County must take immediate and proportionate administrative action against the Accounting Officer and responsible management for submitting unauditable financial statements and failing to maintain basic financial records
4. **Excessive Non-Revenue Water:** SAWASCO's Non-Revenue Water level stood at 40% for the year under review, significantly exceeding the 25% regulatory benchmark prescribed by WASREB, resulting in an estimated revenue loss and indicating significant inefficiency in water resource management.
5. **Poor Revenue Collection Efficiency and Non-Metered Connections:** The Company's revenue collection efficiency was 53.5%, far below the minimum acceptable benchmark of 85%. Furthermore, 926 out of 4,262 connections (21.7%) were not metered, against the acceptable benchmark of 95% metering coverage.
6. **Unsupported Financial Balances:** Multiple key financial balances were unsupported including property, plant and equipment of Kshs. 61,765,297, depreciation expense of Kshs. 1,957,869, trade receivables of Kshs. 36,575,183, trade payables of Kshs. 21,035,800, and customer deposits of Kshs. 7,115,949.
7. **Non-Compliance with Staffing Requirements:** SAWASCO had 81 out of 95 staff (85%) from the Samburu ethnic community, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008. The Company also had 74 out of 95 employees (78%) male, contrary to the two-thirds gender rule under Article 27(8) of the Constitution. Only 2 out of 114 employees (0.017%) were persons with disability against the statutory minimum of 5%.
8. **Weak Human Resource Management:** The Company lacked an approved staff establishment, did not conduct staff performance appraisals, did not maintain a formal payroll system, had no approved scheme of service, and engaged casuals without formal engagement letters or board approval.

GENERAL RECOMMENDATIONS FOR WATER COMPANIES

The Committee recommends that—

1. **Renewal of WASREB Licence and Water Tariffs:** The Governor should ensure that SAWASCO immediately completes the renewal of its expired WASREB operating licence and initiates and concludes the water tariff review process in accordance with the WASREB Tariff Guidelines, 2024, submitting evidence of renewal to the Senate and the Auditor-General within sixty (60) days of the adoption of this report.
2. **Administrative Action:** The Governor of Samburu County must take immediate and proportionate administrative action against the Accounting Officer and responsible management for submitting unauditable financial statements and failing to maintain basic financial records
3. **Non-Revenue Water Reduction Plan:** The Governor should ensure that the Board of Directors and Accounting Officer institute comprehensive measures to reduce Non-Revenue Water, addressing both physical and commercial losses. These measures should include: replacement of old and dilapidated infrastructure including rehabilitation programmes such as the Yamo Dam phase two project; installation of smart meters to ensure accurate billing; adoption of Geographic Information System (GIS) technology for real-time detection of bursts and leakages; and the development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections. The County Government should further collaborate 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. Management should disclose the proportional breakdown of physical and commercial losses, expressed as percentages, in all periodic reports to WASREB. A time-bound NRW Reduction Road Map with annual targets shall be submitted to the Senate and the Auditor-General within sixty (60) days of the adoption of this report.
4. **Revenue Enhancement and Full Metering Programme:** The Governor should ensure SAWASCO develops a time-bound metering programme to achieve the 95% benchmark and implements revenue collection enhancement measures to achieve the 85% collection efficiency benchmark, with quarterly progress reports submitted to the Board and the Auditor-General.
5. **Compliance with Staffing Diversity and Disability Requirements:** The Board and the Accounting Officer should make deliberate and progressive efforts to comply with section 65 of the County Governments Act, 2012, which provides that at least thirty percent (30%) of vacant posts at entry level be filled by candidates who are not from

the dominant ethnic community and section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, which requires that public establishments shall seek to represent the diversity of the people of Kenya in employment of staff. The Board and County Government should establish a formal diversity policy to comply with the law. Similarly, the Board and Accounting Officer should progressively comply with Article 27(8) of the Constitution on the two-thirds gender rule and section 21 of the Persons with Disabilities Act, 2025 on the 5% disability employment threshold. Compliance status shall be reviewed in subsequent audit periods.

6. **Human Resource Management Reforms:** The Accounting Officer should, within ninety (90) days, develop and obtain Board approval for a staff establishment policy, implement a formal payroll management system, institute staff performance appraisal processes, formalize the engagement of casual employees and establish clear segregation of duties in all critical processes.
7. **Enhanced Monitoring and Reporting:** The County Executive Committee Member in charge of water should, pursuant to section 184 of the Public Finance Management Act, Cap. 412A, undertake regular quarterly monitoring of the financial and operational performance of SAWASCO. Monitoring reports shall be submitted to the Senate and the Auditor-General and shall include analysis of compliance with WASREB benchmarks, implementation status of the foregoing recommendations, and remedial actions taken to address underperformance.

GENERAL OBSERVATIONS FOR MUNICIPALITY

The Committee observed that—

- 1. Non-Implementation of Delegated Functions and Lack of Operational Autonomy:** Maralal Municipality did not discharge most of the functions outlined in the Maralal Municipal Charter, 2018 (Gazette Notice No. 2664 of 2025). The only delegated function undertaken was related to street lighting maintenance, with critical functions including water and sanitation, revenue collection, and urban development remaining un-operationalized, contrary to section 20(1) of the Urban Areas and Cities Act, Cap. 275.
- 2. Lack of Own-Source Revenue Generation:** The Municipality disclosed nil revenue from both exchange and non-exchange transactions during the year under review, relying entirely on County Government transfers to finance its operations. Section 172(a) and (b) of the Public Finance Management Act provides subject to the Constitution and any other Act of Parliament, and with the approval of the County Assembly, an urban area or city may be funded, *inter alia*, through revenue arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area or city for the purpose of defraying its costs for providing services. Similar provisions are set out in section 43 of the Urban Areas and Cities Act. Therefore, for Municipalities to discharge functions delegated by the county government, there must be adequate financing through the appropriate means as set out in the law.
- 3. Lack of an Approved Budget:** The Municipality incurred total expenditure of Kshs. 3,310,318 operating under a joint budget with other County Departments rather than an its own approved budget as required under the Urban Areas and Cities Act. Section 45 of the Urban Areas and Cities Act provides that three months before the commencement of each financial year, a Board of a Municipality shall cause to be prepared estimates of the revenue and expenditure for that year. Section 45(4) further requires that these estimates be submitted to the county governor for submission to the county assembly for approval. The absence of an approved budget for the Municipality undermines fiscal discipline and accountability, making it impossible to track the Municipality's financial performance against its own strategic objectives.
- 4. Weak Internal Controls, Governance and Accountability Frameworks:** Maralal Municipality did not have a functioning internal audit arrangement and no Audit Committee was operationalized during the year under review, contrary to section 155(1)(a) of the Public Finance Management Act, 2012. Management also did not provide evidence of a formal Risk Management Policy, contrary to regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

The absence of these critical governance frameworks undermines the Municipality's ability to identify, assess and mitigate financial, operational and compliance risks, and perpetuates a cycle of non-compliance and weak accountability.

GENERAL RECOMMENDATIONS FOR MUNICIPALITIES

The Committee recommends that—

- 1. Operational Autonomy and Adequate Funding:** The Governor ensures that the operationalization of Maralal Municipality is undertaken according to the functions delegated as gazetted by the County Government under the Maralal Municipal Charter, 2018 and Kenya Gazette Notice No. 2664 of 2025. The Governor should ensure that the Municipality is adequately funded in accordance with section 172 of the Public Finance Management Act as read together with section 43 of the Urban Areas and Cities Act. The Governor should further ensure that the Municipality prepares, obtains approval for, and operates its own independent annual budget in compliance with section 43 of the Urban Areas and Cities Act as read together with regulation 99(2) of the Public Finance Management (County Governments) Regulations, 2015, with effect from the Financial Year 2025/2026. A quarterly progress report shall be submitted to the County Assembly and the Auditor-General.
- 2. Establishment of Internal Controls, Audit and Risk Management Frameworks:** The Governor should ensure that Maralal Municipality formally establishes and operationalizes a functional internal audit arrangement and an Audit Committee within sixty (60) days of the adoption of this report, in compliance with section 155(1)(a) of the Public Finance Management Act and regulation 157 of the Public Finance Management (County Governments) Regulations. The Accounting Officer should also develop and formally approve a comprehensive Municipality-specific Risk Management Policy within ninety (90) days, in compliance with Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015. Evidence of establishment shall be submitted to the Auditor-General, who shall verify operationalization in the subsequent audit cycle.
- 3. Enhanced Oversight by County Government:** The County Executive Committee Member responsible for urban development should, pursuant to the Urban Areas and Cities Act, undertake regular quarterly monitoring of the financial and operational performance of Maralal Municipality. Monitoring reports shall be submitted to the County Assembly and the Senate, and shall include an assessment of the progress of function transfer, own-source revenue development, budget independence, and compliance with the Maralal Municipal Charter, 2018. The Governor should further

ensure that Maralal Municipality is fully operationalized to undertake all its delegated functions in line with law by the commencement of the Financial Year 2026/2027.

GENERAL OBSERVATIONS FOR HOSPITALS

The Committee observed that—

- 1. Non-Compliance with Kenya Quality Model for Health Policy Guidelines:** The Committee observed that both Samburu County Teaching and Referral Hospital and Baragoi Sub-County Hospital did not fully comply with the Universal Healthcare standards, as they were inadequately staffed and were not equipped with all the medical equipment for the hospitals to be fully operational in line with the Kenya Quality Model for Health requirements. Critical staffing shortfalls included the absence of anesthesiologists, gynecologists, and radiologists at the Teaching and Referral Hospital, and a single medical officer against the required sixteen at Baragoi Sub-County Hospital. Equipment deficiencies included critical shortages of ICU beds, HDU beds, operating theatres, and newborn unit incubators at both hospitals.
- 2. Inaccuracies in Financial Statements and Non-Compliance with Audit Documentation Requirements:** The Committee observed that there were inaccuracies and errors in the preparation and presentation of financial statements in both hospitals. Both hospitals reported nil balances on inventories and property, plant and equipment despite holding significant assets and stocks, and failed to disclose material balances contrary to IPSAS requirements. Further, both hospitals faced challenges in submitting supporting documents to the Auditor-General on time, contrary to section 47(1) of the Public Audit Act, Cap. 412B. This impedes the accountability and audit process. The persistent delays in preparing complete financial statements indicate a lack of requisite competencies and experience within the hospital finance departments.
- 3. Non-Compliance with Statutory and Regulatory Requirements:** The Committee observed that both hospitals did not fully comply with key statutory and regulatory requirements. Both hospitals failed to comply with the Facilities Improvement Financing Act, Cap. 277, with Samburu County Teaching and Referral Hospital transferring Kshs. 9,410,585 to the County Revenue Fund contrary to section 5(1) of the Act. Further, Baragoi Sub-County Hospital failed to demonstrate compliance with the requirement to open and maintain an account for financial revenues received by the facility and authorize AIE holders contrary to section 5(2) of the Act. Both hospitals also had expired pharmaceutical products in their stores without documented disposal policies, contrary to regulation 4 of the Environmental Management and Co-ordination (Waste Management) Regulations as read together with the Guidelines on Safe Disposal of Pharmaceutical Waste. Further, both hospitals lacked approved key governance and policy documents including ICT policies, Risk Management Policies, Strategic Plans, and Disaster Recovery Plans, contrary to regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

4. **Non-Compliance with Ethnic Inclusivity Requirements:** The Committee observed that some hospitals are non-compliant with section 7(1) and (2) of the National Cohesion and Integration Act, Cap. 7N, which requires that all public offices seek to represent the diversity of the people of Kenya in staff employment and that no public institution shall have more than one-third of its establishment from the same ethnic community. Additionally, section 65(1)(e) of the County Government Act, Cap. 265 requires that at least 30% of vacant posts at the entry level be filled by candidates who are not from the dominant ethnic community in the county.

5. **Incomplete Transfer of Assets and Deficient Asset Registers:** The Committee observed that both hospitals have not fully taken custody of or completed the valuation and disclosure of assets, including land, buildings, motor vehicles, and medical equipment. Consequently, both hospitals are unable to reflect their correct financial position in their books of account, exposing assets to risk of loss, misuse, or misappropriation, contrary to section 149(2)(o) of the Public Finance Management Act. Unresolved prior year audit matters relating to asset disclosure and financial statement accuracy persisted at both hospitals, indicating weak follow-up mechanisms and inadequate internal controls.

GENERAL RECOMMENDATIONS FOR HOSPITALS

The Committee recommends that—

1. **Compliance with Kenya Quality Model for Health Policy Guidelines:** The Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address both hospitals' staffing shortages within sixty (60) days of the adoption of this report. The plan should include both short-term and long-term solutions, including targeted recruitment of specialists, sponsorship of existing staff for further training, and progressive capital investment for equipment acquisition. The Governor should further ensure ring-fenced budgetary allocations for procurement of medical equipment and recruitment of specialist medical staff in each subsequent budget cycle. The Auditor-General verifies progress on staffing levels and equipment compliance with KQMH requirements in the subsequent audit cycle.

2. **Capacity Building on Financial Reporting Standards and Compliance:** The Governor ensures the hospital management team, in consultation with the Public Sector Accounting Standards Board (PSASB), facilitates continuous capacity building on financial reporting standards for finance officers and management in both hospitals to improve the quality of reporting and enhance compliance. The hospital management team should ensure that accountants possess the requisite competencies and experience

in financial management as required by the Accountants Act. Further, the Accounting Officer should ensure compliance with the financial reporting template prescribed by the Public Sector Accounting Standards Board and ensure all supporting documents are provided to the Auditor-General within the timelines stipulated in section 47(1) of the Public Audit Act and section 149(2)(1) of the Public Finance Management Act. The Governor should further ensure full compliance with section 5 of the Facilities Improvement Financing Act including a refund by the County Executive Committee Member for Finance of Kshs. 9,410,585 to the Samburu County Teaching and Referral Hospital FIF account within sixty (60) days of the adoption of this report, establishment of designated FIF bank accounts at both hospitals, and issuance of valid AIEs for all hospital expenditures. Expired pharmaceutical products should be disposed in accordance with the Environmental Management and Co-ordination (Waste Management) Regulations as read together with the Guidelines on Safe Disposal of Pharmaceutical Waste. Further, all key governance and policy documents including ICT policies, Risk Management Policies, Strategic Plans, and Disaster Recovery Plans should be developed and approved within ninety (90) days of the adoption of this report.

3. **Compliance with Ethnic Inclusivity Requirements:** The hospital management team and County Government should make deliberate and progressive efforts to comply with section 7(1) and (2) of the National Cohesion and Integration Act and section 65(1)(e) of the County Governments Act, Cap. 265, regarding diversity, the realization of the one-third rule in public sector recruitment, and ethnic inclusivity. To this end, the Board and County Government should develop and adopt a formal diversity policy aimed at achieving full compliance with the law. Compliance status shall be reviewed in the subsequent audit period.
4. **Transfer of Assets and Maintenance of Fixed Asset Registers:** The Governor should ensure that all assets are formally identified, valued, and transferred to both hospitals to enable them to reflect their true financial position in their books of account. The hospital management team should ensure that hospitals maintain updated fixed asset registers in accordance with section 149(2)(o) of the Public Finance Management Act, and section 136(1) of the Public Finance Management (County Government) Regulations, 2015, in the format prescribed by the Public Sector Accounting Standards Board, and submit the same to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report. The Accounting Officers of both hospitals should further develop comprehensive Audit Action Plans within thirty (30) days to resolve all outstanding prior year audit matters with specific responsibilities, timelines,

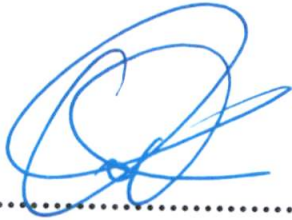
and monthly progress reviews by Hospital Boards and Audit Committees failing which the provisions of section 53 of the Public Audit Act shall apply.

5. **Enhanced Oversight by County Government on Hospital Operations:** The County Executive Committee Member responsible for health should undertake regular quarterly monitoring of the financial and operational performance of all county hospitals. Monitoring reports shall be submitted to the County Assembly and the Senate, and shall include assessments of compliance with KQMH guidelines, staffing levels, FIF Act compliance, SHA claims management, governance policy development, and resolution of outstanding audit matters.

ACKNOWLEDGEMENTS

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

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



SIGNED:


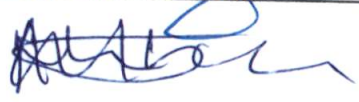

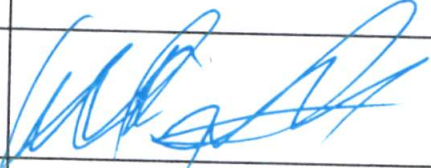
DATE: 24/03/2026

**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 TEN COUNTY ENTITIES FOR SAMBURU COUNTY FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
WATER COMPANY	1	SAMBURU WATER AND SANITATION COMPANY LIMITED (SAWASCO)
MUNICIPALITY	1	MARALAL MUNICIPALITY
HOSPITALS	2	SAMBURU COUNTY TEACHING AND REFERRAL HOSPITAL
		BARAGOI SUB-COUNTY HOSPITAL
FUNDS	6	SAMBURU COUNTY EXECUTIVE STAFF MORTGAGE FUND
		SAMBURU COUNTY BURSARIES FUND
		SAMBURU COUNTY CLIMATE CHANGE FUND
		SAMBURU COUNTY CONSERVANCIES FUND
		SAMBURU COUNTY PERSONS LIVING WITH DISABILITY FUND
		SAMBURU COUNTY YOUTH AND WOMEN ENTERPRISE DEVELOPMENT FUND

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

No.	Name	Signature
1.	Sen. Godfrey Atieno Osotsi, CBS, MP (<i>Chairperson</i>)	
2.	Sen. Eddy Gicheru Oketch, MP (<i>Vice - Chairperson</i>)	
3.	Sen. Agnes Kavindu Muthama, MP	
4.	Sen. William Kipkemoi Kisang, CBS, MP.	
5.	Sen. Peris Pesi Tobiko, CBS, MP	
6.	Sen. Beth Kalunda Syengo, MP	
7.	Sen. George Mungai Mbugua, MP	
8.	Sen. Raphael Chimera Mwinzangu, MP	
9.	Sen. Hamida Ali Kibwana, MP	

CHAPTER ONE: WATER COMPANY

1.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SAMBURU WATER AND SANITATION COMPANY LIMITED (SAWASCO) FOR THE FINANCIAL YEAR 2024/2025

The Governor of Samburu County, Hon. Lati Lelelit, EGH, appeared before the Committee on Wednesday, 11th March, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Samburu Water and Sanitation Company Limited (SAWASCO) for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Ms. Silvana Kaparo -CECM for Finance
2. Mr. Fred Kiragu -Board Member, Water Company

The Governor informed the Committee that, other than a member of the Board of the Water Company, no other officer from the Company had accompanied him to assist in responding to the queries raised by the Auditor-General in the Report of the Auditor-General on the Financial Statements of Samburu Water and Sanitation Company Limited for the financial year under review. In the circumstances, the Governor declined to table the management responses and requested the Committee to make a determination on the matter.

Having considered the Governor's submission, the Committee resolved to adopt the Report of the Auditor-General as presented before the Senate.

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Disclaimer Opinion** on the financial statements of Samburu Water and Sanitation Company Limited for the financial year 2024/2025 on the following basis—

1. Errors and Inaccuracies in Financial Statements

The financial statements presented for audit were not supported by a trial balance and respective schedules to support the financial statements. In addition, the report of the Managing Director was not signed as required by the PSASB template, and on the Statement of Profit or Loss and Other Comprehensive Income, the Profit/(Loss) after taxation for 2024/2025 is missing as well as the total current liability for the financial year. The statement of equity for the year ended 30th June 2025 reflects revaluation reserve, retained earnings and totals balances of Kshs. 65,510,629, Kshs. 4,678,245 and Kshs. 60,832,384 while a recast of the balances resulted in Kshs. 67,617,994, Kshs. 6,728,341 and Kshs. 74,346,335 resulting in unreconciled variances of Kshs. 2,107,365, Kshs. 2,050,096 and Kshs. 13,513,951 respectively. The statement of cashflows reflects cash and

cash equivalents as at 30th June 2025 and 2024 balances of Kshs. 86,834 and Kshs. 255,001 while the statement of financial position reflects Kshs. 143 and Kshs. 432,732 resulting in unreconciled variances of Kshs. 86,691 and Kshs. 177,733. In the circumstances, the accuracy and completeness of the respective financial statements' figures could not be confirmed.

2. Unsupported Board Expenses and Corporate Governance Weaknesses

The statement of profit or loss and other comprehensive income and Note 13 to the financial statements reflect Board of Directors' expenses of Kshs. 576,500. However, the expenditure was not supported with payment vouchers, minutes of meetings, attendance registers, or signed payment schedules. Further, audit review of the Company's governance practices revealed non-compliance with key provisions of the WASREB Corporate Governance Guidelines, as follows: lack of a service charter for benchmarking delivery of services, contrary to clause 4.3.3; failure to prepare and submit quarterly financial reports, biannual water quality reports, quarterly procurement reports, and annual performance reports to WASREB as required under clause 4.5.2; non-establishment of the mandatory Audit Committee as required under clause 4.9; and failure to conduct board performance assessments as required under clause 4.10.1. In the circumstances, the regularity and validity of the Board expenses of Kshs. 576,500 could not be confirmed.

3. Failure to Prepare Bank Reconciliation Statements and Maintain Updated Cash Book

The Statement of Financial Position and as disclosed in Note 32 to the Financial Statements reflects an amount of Kshs. 143 as bank and cash balance. The monthly bank reconciliations were not prepared as required, contrary to Regulation 90(1) of the Public Finance Management (County Governments) Regulations, 2015. Further, review of the cash book provided for audit revealed that the cashbook was not duly closed at the end of the financial year and no closing balance was carried forward to the next financial year. Additionally, a sample of transactions of Kshs. 484,394 were not recorded in the cash book, hampering the ability to accurately track cash transactions, verify cash balances, and ensure accountability in the handling of cash. In the circumstances, the accuracy of the cash and cash equivalent balance of Kshs. 143 could not be confirmed.

4. Unsupported Property, Plant and Equipment

The Statement of Financial Position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs. 61,765,297 with regard to property, plant and equipment. However, a fixed asset register was not in place to support the disclosed balance; ownership documents for motor vehicles and motorcycles were not provided for audit review; no

valuation was conducted for the Company's assets during the year under review; the property, plant and equipment movement schedule was not included in the financial statements; there were no schedules to support the property, plant and equipment balance; and the assets were not tagged. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 61,765,297 could not be confirmed.

5. Unsupported Depreciation and Amortization Expenses

The statement of profit or loss and other comprehensive income reflects depreciation and amortization expense of Kshs. 1,957,869. However, the amount was not supported with a depreciation schedule indicating the asset number, asset cost, accumulated depreciation, charge for the year and the residual value of the assets. In the circumstances, the accuracy and completeness of depreciation and amortization expense balance of Kshs. 1,957,869 could not be confirmed.

6. Unsupported Trade Receivables

The statement of financial position reflects trade and other receivables amounting to Kshs. 36,575,183 as disclosed in Note 29 to the financial statements. However, the debtors' aging analysis and a detailed schedule showing individual debtors' particulars were not provided for audit review. In the circumstances, the accuracy and completeness of trade and other receivables amounting to Kshs. 36,575,183 could not be confirmed.

7. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 41 to the financial statements reflects Kshs. 21,035,800 with respect to trade and other payables. However, aging analysis showing individual creditors' particulars was not provided for audit review. In the circumstances, the accuracy and completeness of accounts payable balance of Kshs. 21,035,800 could not be confirmed.

8. Undisclosed Inventory Balance

The statement of financial position and as disclosed in Note 28 to the financial statements reflect a nil balance with respect to inventories. This despite the Company owning various inventories during the closure of the year but failing to maintain inventory management records including stock ledgers, stock-taking sheets, periodic stock-taking reports, and inventory inspection or store visit reports, contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015, which requires the head of procurement to conduct at least quarterly inventory stock-taking. In the circumstances, the accuracy and completeness of a nil balance on inventories could not be confirmed.

9. Unsupported General and Operation Expense

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects general and operation expense amounting to Kshs. 9,963,731. However, the supporting schedule and documents detailing the individual expenditure items were not availed for audit review. In the circumstances, the accuracy and completeness of the general and operation balance of Kshs. 9,963,731 could not be confirmed.

10. Unsupported Refundable Deposits and Prepayments Balance

The statement of financial position and as disclosed in Note 42 to the financial statements reflects customer deposits balance of Kshs. 7,115,949. However, Management did not maintain records such as a customer deposits ledger, a separate bank account for customer deposits, and a register of the individual customers whose deposits the Company was still holding. In the circumstances, the accuracy, completeness of the refundable deposits and prepayments balance of Kshs. 7,115,949 could not be confirmed.

EMPHASIS OF MATTER

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 47,000,000 and Kshs. 40,443,950 respectively, resulting in a shortfall of Kshs. 6,556,050 or 14% of the budget. The Company spent Kshs. 40,865,785 resulting in full absorption of funds received. Further, the Company had a final receipts budget and actual on a comparable basis of Kshs. 101,000,000 and Kshs. 40,443,950 respectively, resulting in an under-funding of Kshs. 60,556,050 or 60% of the budget. The under-collection affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

Management stated that during the year under audit actual revenue fell short of projected revenue. The variance was due to shortfall in revenue collected and also the Company did not receive the entire subsidy budgeted during that financial year. To minimize future variances, management has: strengthened budget monitoring procedures; implemented quarterly budget review meetings; and enhanced approval controls for reallocation of funds. The variances between budgeted and actual amounts arose mainly due to: anticipated budget from County Government of Kshs. 55,000,000; revenue shortfalls compared to projection of Kshs. 12,000,000; and USAID-STAWI donations of Kshs. 34,000,000.

2. Unresolved Prior Year Audit Matters

In the prior year's audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2024/2025 revealed that the following matters remained unresolved: inaccuracies in financial statements; unsupported financial balances; non-compliance with bank reconciliation requirements; property, plant and equipment weaknesses; budgetary control and performance; and governance and policy document deficiencies.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Renewal of WASREB Licence

Audit review revealed that the Water Services Regulatory Board (WASREB) licence for Samburu Water and Sanitation Company expired on 30th November 2024, and management had not initiated or completed the renewal process as at the time of audit. Operating without a valid licence is contrary to the Water Act, 2016 and WASREB regulatory requirements governing water service provision. In the circumstances, management was in breach of the law.

2. Expired Water Tariffs

Audit review revealed that the current water tariff for Samburu Water and Sanitation Company was approved in 2014 and has since expired. However, management had not initiated the process of tariff review or renewal in accordance with the WASREB Tariff Guidelines, 2024. In the circumstances, management was in breach of the law.

3. Non-Compliance with Ethnic Diversity Criteria

During the financial year under review, it was noted that the Company had a total of ninety-five (95) staff members out of which eighty-one 81 (85%) were from the Samburu ethnic community. This was contrary to section 7(2) of the National Cohesion and Integration Act which states that no public establishment shall have more than one-third of its staff from the same ethnic community. In the circumstances, management was in breach of the law.

4. Non-Compliance with the Two-Thirds Gender Rule

Records provided revealed that the Company had ninety-five (95) permanent employees out of which seventy-four (74), or 78%, were male and the remaining twenty-one (21), or 22%, were female. This was contrary to section 8(a) of the National Gender and Equality Commission Act, 2011, read together with Article 27(8) of the Constitution of Kenya, 2010, which requires that not more than two-thirds of the members of elective or appointive

bodies shall be of the same gender. In the circumstances, management was in breach of the law.

5. Irregular Engagement of Casuals

The statement of profit or loss and other comprehensive income reflects staff cost amount of Kshs. 28,118,326 as disclosed in Note 11 to the financial statements. However, there was no formal engagement of casual employees including approval by the board of directors, letters of temporary employment and other personal credentials. Further, no evidence that staff rationalization to assess the need for casuals was carried out. It was therefore not possible to confirm that there was optimal use of available workforce. In addition, signed muster rolls were not maintained to show attendance of the casuals. In the circumstances, management was in breach of the law.

6. Non-Compliance with the Persons with Disabilities Act, 2025

During the year under review, Samburu Water and Sanitation Company Limited had a total of one hundred and fourteen (114) employees serving on permanent, contract and temporary terms out of which only two (2) persons with disability were recruited, which translates to 0.017%, contrary to Section 21 of the Persons with Disabilities Act, 2025, which requires that at least five (5) percent of all appointments are for persons with disabilities. In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects Kshs. 19,704,989 in respect to operating revenue from water sales. Information available revealed that the Company produced 411,497 cubic meters (M³) of water out of which only 245,848 M³ were billed to the customers. The balance of 165,649 M³, or approximately 40% of the total volume of water produced, represents Non-Revenue Water (NRW), which was 15% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board tariff guidelines of June 2023. The significant level of Non-Revenue Water could be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services. In the circumstances, Management was in breach of the WASREB guidelines.

2. Non-Metered Connections

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects Kshs. 19,704,989 in respect to operating revenue from water sales. Information available revealed that the Company had a total of 4,262 connections out of which only 3,336 were metered. The remaining 926 connections were not metered, representing 78.3% metering coverage which is way below the acceptable benchmark of 95%. The significant level of non-metered connections could be an indication of inefficiency and ineffectiveness in management of water resources, which may negatively impact on the Company's profitability and its ability to sustain services. In the circumstances, Management was in breach of the WASREB guidelines.

3. Poor Revenue Collection Efficiency

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements disclose operating revenue from water sales amounting to Kshs. 19,704,989. However, audit review established that the Company billed Kshs. 19,704,989 but collected only Kshs. 10,539,675, representing a collection efficiency of 53.5%, which is far below the minimum acceptable benchmark of 85%. In the circumstances, Management was in breach of the WASREB guidelines.

4. Lack of a Risk Management Policy

The Management did not develop a Risk Management Policy to guide its management on risk management assessment and formulation of risk mitigation strategies in the year under review. This was contrary to regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires Accounting Officers to develop risk management strategies which include fraud prevention mechanisms and internal control that builds robust business operation.

5. Lack of an Approved Staff Establishment

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs. 28,118,326 as disclosed in Note 11 to the financial statements. Review of the human resource operations revealed that the Company has a total workforce of one hundred and fourteen (114) staff serving on permanent, contract and temporary terms. However, the Company has not developed and approved a staff establishment to determine the optimal level of staffing needs and competencies for the Company.

6. Failure to Perform Staff Performance Appraisals

Note 11 to the financial statements presents staff costs of Kshs. 28,118,326. A review of the personal files presented revealed that the Company does not evaluate performance of employees through performance appraisals. The appraisals play a critical role in management decision-making such as contract renewals. Without the performance

appraisals, it was not possible to confirm criteria upon which contract renewals of some of the contractual employees was arrived at.

7. Weaknesses in Human Resource and Payroll Management Controls

The Statement of Profit or Loss and Other Comprehensive Income reflects staff costs of Kshs. 28,118,326. Audit review of the human resource and payroll management processes revealed that the Company does not maintain a formal payroll system, there was no segregation of duties within critical financial and operational processes, the Company does not maintain personal files for employees, and the Company does not have an approved scheme of service. In the circumstances, the Company was in breach of the law.

8. Failure to Prepare the Annual Procurement Plan

Samburu Water and Sanitation Company Limited did not have an approved annual procurement plan in place. In the absence of a procurement plan, audit could not confirm how efficiently the Company used resources, whether there was transparency in procurement, and whether the Company complied with the procurement law and regulations.

Committee Observation

The Committee observed that –

- i. the Auditor-General had rendered a disclaimer opinion to the financial statements of Samburu Water and Sanitation Company Limited, and indication that the Auditor-General could not obtain sufficient appropriate evidence to form an opinion on financial statements, and the potential impact of this limitation is both material and pervasive. It further signifies that the Auditor-General was unable to express any opinion due to severe scope limitations, such as uncooperative management and/or missing records; and
- ii. the Governor declined to table the management responses on the grounds that no officer from the Water Company had accompanied him, and no explanation was provided to justify their non-appearance before the Committee.

Committee Recommendation

The Committee recommends that the Ethics and Anti-Corruption Commission commence investigations into the management and financial operations of Samburu Water and Sanitation Company Limited, using the Report of the Auditor-General on the financial statements of the Company for the Financial Year under review as the

basis. The Commission provides a status update on the progress made to the Senate within 90 days of the adoption of this Report.

CHAPTER TWO: MUNICIPALITY

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

The Governor of Samburu County, Hon. Lati Lelelit, EGH, appeared before the Committee on 11th March 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for Maralal Municipality for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Ms. Silvana Kaparo -CECM, Finance
2. Mr. Loosenge David -CECM, Lands
3. Mr. Steve Lemeteki -Municipal Manager, Maralal Municipality

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an **Adverse Opinion** on the financial statements of the Maralal Municipality for the period under review on the following basis:

1. Unsupported Property, Plant and Equipment

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs. 9,449,640. However, no schedules were provided to support the balance disclosed in the financial statements. In addition, the procurement documents, fixed asset register and ownership documents were not provided to support the disclosed balance. In the circumstances, the accuracy, ownership and completeness of the reported property, plant and equipment balance of Kshs. 9,449,640 could not be confirmed.

Management Response

Management stated that Maralal Municipality acknowledged the audit observation regarding unsupported Property, Plant and Equipment amounting to Kshs. 9,449,640. However, Management had since compiled and attached the updated fixed asset register, ownership documents under the custody of County Secretary, and supporting schedules for the assets in question. Physical verification of the assets has also been conducted, and reconciliation between the asset register and the financial statements has been undertaken to ensure completeness and accuracy. Attached supporting documents.

Committee Observations

The Committee observed that property, plant and equipment of Kshs. 9,449,640 was not supported by schedules, a fixed asset register, or ownership documents during the audit. The Committee further noted that while management subsequently availed an updated asset

register, the original logbooks were not provided and no physical verification of the assets was conducted.

Committee Recommendations

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor ensures the transfer of ownership documents of assets under the Executive to the Municipality is fast tracked;**
- ii. the Governor ensures that the management of the Municipality undertakes the valuation of all assets of the Municipality and submit the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification**
- iv. the Accounting Officer ensures that the Municipality maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB); and**
- v. within 90 days of the adoption of this report, the Governor ensures that the operational autonomy of Municipality of Samburu is fully actualized in accordance with sections 169 – 181 of the Public Finance Management Act as read together with sections 12 (Structures and management of cities, municipalities), 20 (Governance and management functions of a board), 45 and 46 (financial autonomy) and provide evidence of the same to the Auditor-General for verification and monitoring. The Auditor-General should provide a status update in the subsequent audit cycle.**

2. Unsupported Cash and Cash Equivalents

The statement of financial position and Note 19 to the financial statements reflect cash and cash equivalents balance of Kshs. 3,254. The balance comprises an amount of Kshs. 2,327 and Kshs. 927 held in two separate bank accounts at cooperative bank. However, the balances reported were not supported with monthly bank reconciliation statements. In the

circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs. 3,254 could not be confirmed.

Management Response

Management noted the observation on unsupported cash and cash equivalents amounting to Kshs. 3,254. Management has provided the attached monthly bank statements, updated bank reconciliation statements, and cash book records for the period under review. The variances previously noted have been reconciled and explained, and corrective measures have been instituted to ensure timely reconciliation and proper documentation going forward. Monthly bank statement, updated bank reconciliation statements and cash book records are attached.

Committee Observations

The Committee noted that management subsequently provided the required bank reconciliation statements and cashbook records.

Committee Recommendations

The Committee recommends that—

- i. the matter be marked as resolved; and**
- ii. the Governor, through the Accounting Officer, ensure timely submission of documents as required under section 149(2)(l) of the Public Finance Management Act and section 47(1) of the Public Audit Act, failing which the provisions of section 62(1) of the Public Audit Act shall apply.**

3. Unsupported Repairs and Maintenance

The statement of financial performance and Note 17 to the financial statements reflect repairs and maintenance expenditure of Kshs. 1,034,000. However, management did not provide details and the nature of works undertaken and the specific assets repaired. In the circumstances, the accuracy and completeness of the repairs and maintenance balance of Kshs. 1,034,000 could not be confirmed.

Management Response

Management stated that they had submitted the relevant payment vouchers, invoices, contracts, inspection reports, and completion certificates supporting the works undertaken. Additionally, internal controls on documentation and approval of repairs and maintenance expenditures had been strengthened to prevent recurrence. Management stated that they

are committed to improving financial management, strengthening internal controls, and ensuring full compliance with applicable accounting standards and regulatory requirements.

Committee Observations

The Committee observed that repairs and maintenance expenditure of Kshs. 1,034,000 was incurred without supporting documentation detailing the nature of works undertaken and the specific assets repaired, contributing to the Adverse Opinion. The Committee further noted that while management provided supporting documents after the audit, the nature of the repairs could not be fully established and no physical verification of the works was conducted.

Committee Recommendation

The Committee recommends that—

- i. the Governor, through the Accounting Officer, ensures all repairs and maintenance expenditures are fully supported by payment vouchers, invoices, inspection reports, completion certificates, and detailed descriptions of works undertaken, and submits the supporting documentation for the Kshs. 1,034,000 to the Auditor-General within thirty (30) days of the adoption of this report;**
- ii. the Governor should ensure that, pursuant to section 149(2)(b), the Accounting Officer keeps financial and accounting records that comply with the Public Finance and Management Act, failing which the provisions of section 197(l) on failure to keep proper records shall apply; and**
- iii. the Governor should ensure appropriate administrative action in accordance with section 156(1) of the Public Finance Management Act is taken against responsible officers for failure to maintain proper records.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Implementation of Transferred and Mandated Municipal Functions

Audit review established that the Municipality did not implement most of the functions outlined in the Maralal Municipal Charter, 2018 and Kenya Gazette Notice No. 2664 of 2025 during the year under review. Further, evidence of implementation of the transferred functions as outlined in the Kenya Gazette Notice No. 2664 of 2025 was not provided. The

only activity undertaken was related to street lighting maintenance. In addition, the County Executive had not transferred the financial resources to the Municipality related to the transferred functions as required under Section 20(1) of the Urban Areas and Cities Act, 2011.

Management Response

Management stated that some of the functions delegated to the Municipality were not being fully discharged. but implementation was being undertaken progressively. The Municipality continued to engage the County Executive to ensure the full transfer of resources in line with section 20(1) of the Urban Areas and Cities Act to enable effective implementation of all mandated functions. As per the referenced Gazette Notice, the Municipality is currently discharging over 90% of the prescribed functions, with the exception of promotion and provision of water and sanitation services, which is presently being undertaken by Samburu Water and Sanitation Company (SAWASCO), and revenue collection, for which the Municipality is yet to be facilitated with the requisite human resource capacity and the necessary systems. The implementation of the functions is evidenced by the fully approved municipal budget.

Committee Observations

The Committee observed that Maralal Municipality implemented only street lighting maintenance out of the functions assigned under the Municipal Charter, 2018 (Gazette Notice No. 2664 of 2025) with the County Executive yet to transfer the requisite financial resources for the discharge of the other delegated functions.

Committee Recommendations

The Committee recommends that—

- i. The Governor ensures that the operationalization of Maralal Municipality is undertaken according to the functions delegated as gazetted by the County Government under the Maralal Municipal Charter. The Governor should also ensure that the Municipality is adequately funded in accordance with section 172 of the Public Finance Management Act as read together with section 43 of the Urban Areas and Cities Act;**
- ii. The Governor ensures that the Municipality prepares, obtains approval for, and operates its own independent annual budget in compliance with section 43 of the Urban Areas and Cities Act as read together with regulation 99(2) of the Public Finance Management (County Governments) Regulations, 2015, with**

effect from the Financial Year 2025/2026. A quarterly progress report shall be submitted to the County Assembly and the Auditor-General; and

- iii. the Auditor-General keeps this matter in view and provides a status update on the implementation of transferred functions in the subsequent audit cycle.

2. Non-Collection of Revenue

The statement of financial performance discloses nil revenue from both exchange and non-exchange transactions. Audit review established that the Municipality did not collect or receive any revenue during the year under review despite the County Executive having legally transferred functions required operationalization and revenue generation. This was contrary to Kenya Gazette Notice No. 2664 of 4th March, 2025 which stipulates the initial functions transferred to the Maralal Municipality with effect from 26 February, 2025.

Management Response

Mr. Chairman, Management acknowledges that the Municipality did not collect revenue during the year under review. This is because revenue collection is one of the mandates that is yet to be fully operationalized following the transfer of functions. The Municipality had not yet established the required revenue collection systems and enforcement mechanisms during the period under review. The Municipality is in the process of integrating appropriate revenue collection frameworks, systems and revenue collectors in collaboration with the county executive. Once the process is complete the municipality will commence revenue collection.

Committee Observations

The Committee observed that Maralal Municipality collected nil own-source revenue during the year under review, relying entirely on County Government transfers.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the full operationalization of own-source revenue collection by the Municipality through the establishment of a structured revenue framework with clear enforcement mechanisms, including fees, levies, rates and charges consistent with section 20 of the Urban Areas and Cities Act; and
- ii. the Auditor-General keeps this matter in view and provides a status update on own-source revenue and financial sustainability of the Municipality in the subsequent audit cycle.

3. Lack of an Approved Budget

The statement of financial performance reflects total expenditure of Kshs. 3,310,318. However, no approved independent budget was provided to confirm the basis of expenditure, contrary to regulation 99(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that approved estimates of expenditure shall form the basis of the accounts for the financial year. At the time of the audit, the Municipality did not operate an independent budget; instead, it implemented a joint budget together with other County Departments (Lands, physical planning, housing and urban development).

Management Response

Mr. Chairman, management acknowledges the audit observation and wishes to clarify that the Municipality had an approved budget for the year under review. However, at the time of the audit, the Municipality did not operate an independent budget; instead, it implemented a joint budget together with other County Departments. The approved joint budget was duly prepared and approved in accordance with the Public Finance Management (County Governments) Regulations, 2015. Management notes that the approved budget was not availed to the audit team at the time of audit, which led to the audit conclusion. Management further confirms that the Municipality has since been allocated its own independent and fully approved budget, in line with the applicable legal and regulatory framework. Fully approved municipality budget has been attached.

Committee Observations

The Committee observed that Maralal Municipality incurred expenditure of Kshs. 3,310,318 without an independent approved budget, operating under a joint budget with other County Departments, contrary to section 45 of the Urban Areas and Cities Act.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer ensures that the Municipality prepares, obtains approval for, and operates its own independent annual budget in compliance with section 45 of the Urban Areas and Cities Act with effect from the Financial Year 2025/2026; and**
- ii. the Auditor-General verifies the existence of an approved independent municipal budget in the subsequent audit cycle and provides a status update to the Senate.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Failure to Institute Internal Audit Arrangements

In the year under review, Maralal Municipality did not have an Internal Audit arrangement contrary to section 155(1)(a) of the Public Finance Management (PFM) Act, 2012, which stipulates that every county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. In addition, no evidence was provided to show the presence and work of an audit committee including the minutes of meetings held during the year to review audit reports and make recommendations on risk mitigation measures.

Management Response

Management stated that the Municipality has an Internal Auditor in place during the year under review, in compliance with section 155(1)(a) of the Public Finance Management Act, 2012. The Internal Auditor has been undertaking internal audit activities as assigned. The audit concern arose due to gaps in documentation and the non-operationalization of the Audit Committee during the period under review, hence the inability to provide adequate evidence such as committee minutes and formally approved internal audit reports. Management has since taken steps to strengthen internal audit arrangements by formalizing internal audit documentation, ensuring regular internal audit reporting, and fast-tracking the establishment and operationalization of the Audit Committee. The progress is evidenced by internal audit notification for internal audit and the internal audit report. The municipal is currently considering for implementations of the audit recommendation.

Committee Observations

The Committee observed that Maralal Municipality did not have a functioning internal audit arrangement and no Audit Committee was operationalised during the year under review, contrary to section 155(1)(a) of the Public Finance Management Act. The Committee noted that despite management claiming an internal auditor was in place, no work plans, audit reports, or evidence of internal audit activities were availed.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure that Maralal Municipality formally establishes and operationalizes a functional Audit Committee within sixty (60) days of the adoption of this report, in compliance with section 155(1)(a) of the Public Finance Management Act and regulation 157 of the Public Finance**

Management (County Governments) Regulations, 2015, and submits the committee's terms of reference and appointment letters to the Auditor-General; and

- ii. the Auditor-General verifies the establishment and operationalization of the internal audit function and Audit Committee in the subsequent audit cycle and provides a status update to the Senate.**

2. Lack of Risk Management Policy

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

Management Response

Management stated that at the time of the audit the Municipality was operating under the County Risk Management Policy. Management has initiated the process of developing a Municipality-specific Risk Management Policy to enhance governance and ensure alignment with its operational needs, to guide risk identification, assessment, mitigation, and continuous monitoring, in compliance with regulation 158 of the Public Finance Management (County Governments) Regulations, 2015. Upon completion and approval by the relevant authorities, the Policy will be formally adopted and implemented to strengthen internal controls, enhance fraud prevention mechanisms, and improve overall operational effectiveness and governance. The county Risk management policy is attached.

Committee Observations

The Committee observed that Maralal Municipality did not have an approved Municipality-specific Risk Management Policy during the year under review, contrary to regulation 158 of the Public Finance Management (County Governments) Regulations, 2015. The Committee noted that while management has initiated the development of a policy, it remains a work in progress and has not been formally approved.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer develops and implements a comprehensive Municipality-specific Risk Management Policy within ninety (90) days of the adoption of this report, in compliance with regulation 158 of**

the Public Finance Management (County Governments) Regulations, 2015, and submits a copy to the Auditor-General for verification; and

- ii. the Auditor-General verifies the existence and operationalization of the approved Risk Management Policy in the subsequent audit cycle and provides a status update to the Senate.**

CHAPTER THREE: HOSPITALS

3.1 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR SAMBURU COUNTY TEACHING AND REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Samburu County, Hon. Lati Lelelit, EGH, appeared before the Committee on 11th March 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for on financial statements for the Samburu County Teaching and Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers –

1. Dr. Pateti Kelvin Lengees – Medical Superintendent, Samburu County Teaching and Referral Hospital
2. Mr. Josphat Lenguris - Chief Officer, Medical Services

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Samburu County Teaching and Referral Hospital for the period under review on the following basis:

1. Non-Disclosure of Inventory

The statement of financial position and Note 17 to the financial statements reflect a nil balance in respect of inventory. However, during the year under review, audit inspection revealed that the Hospital held assorted inventories, but management did not conduct the mandatory annual stock-take and did not disclose the inventories in the financial statements. This was contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015, which requires the head of the procurement function to conduct quarterly and annual inventory counts and submit reports to the Accounting Officer. In the circumstances, the accuracy and completeness of the reported nil inventory balance could not be confirmed.

Management Response

Chair, the hospital conducted the annual stock take during the year under review; however, the closing stock balance was not quantified in monetary terms and therefore was not incorporated into the financial statements. The detailed stock take records are attached herewith for reference. To address this gap, management has since initiated measures to ensure full compliance with Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 by designating responsible officers within the procurement and stores

department, developing a schedule for periodic inventory verification and strengthening internal controls and documentation for all store movements to enhance accountability and transparency in inventory management in the financial year 2025/2026.

Committee Observations

The Committee observed that the Hospital held assorted inventories but failed to conduct a mandatory annual stock-take or quantify the closing stock balance in monetary terms, resulting in a nil inventory balance contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015. The Committee noted that while management conducted a stock-take, the balance was not incorporated into the financial statements.

Committee Recommendations

The Committee recommends that—

- i. the Governor through the Accounting Officer ensures compliance with section 162(2) of the Public Procurement and Asset Disposal Act by conducting quarterly and annual inventory counts, quantifying stock balances in monetary terms, and ensuring proper disclosure in the financial statements for FY 2025/26; and**
- ii. the Auditor-General verifies compliance with inventory management and disclosure requirements in the subsequent audit cycle and provides a status update to the Senate.**

2. Non-Disclosure of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 18 to the financial statements reflects nil balance in respect to property, plant and equipment. However, during the year under review, it was noted that the hospital had in its custody various assets including land and buildings, motor vehicles, furniture, ICT Equipment, plant and medical equipment and intangible assets which had not been valued and were not disclosed in the financial statements. Further, the ownership documents for the land and motor vehicles were not provided for audit review. In the circumstances, the accuracy and completeness of property, plant and equipment nil balance could not be confirmed.

Management Response

Management stated that the hospital, in collaboration with the County Department of Health and the County Department of Lands, Physical Planning, Housing and Urban Development, had commenced the process of securing ownership documents for all parcels of land and other assets registered under the hospital. However, the Hospital does not own

motor vehicles directly. All motor vehicles utilized by the Hospital are assigned by the County Government, and the ownership documents are centrally held by the Office of the County Secretary. A comprehensive physical verification and tagging exercise of all hospital assets had been scheduled to ensure proper identification, documentation, and reconciliation of existing items with the asset register in the FY 2025/2026. Furthermore, all future asset acquisitions will be promptly recorded, tagged, and disclosed in the financial statements in full compliance with applicable accounting standards and the Public Finance Management (County Governments) Regulations, 2015. Management remains committed to strengthening internal controls, ensuring transparency in asset management, and safeguarding all public resources under its custody.

Committee Observations

The Committee observed that the Hospital had various assets including land, buildings, motor vehicles, furniture, ICT equipment, and medical equipment that were not valued or disclosed in the financial statements, and that ownership documents for land and motor vehicles were not provided for audit review, contrary to IPSAS 17.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer, in collaboration with the County Department of Lands, expedites the process of securing ownership documents for all hospital land and assets and ensures a comprehensive valuation and tagging exercise is completed within ninety (90) days of the adoption of this report, with full disclosure in the financial statements for FY 2025/2026; and**
- ii. the Auditor-General verifies the completeness of asset disclosure and the updated fixed asset register in the subsequent audit cycle and provides a status update to the Senate.**

3. Non-Disclosure of In-Kind Contributions from the County Government

The statement of financial performance and Note 7 to the financial statements do not disclose in-kind contributions received from the County Government during the year under review. Audit established that the Hospital received significant non-cash support from the County Government, including personnel emoluments paid directly by the County Government, medical supplies procured and delivered on its behalf, and maintenance and operational services. However, Management did not provide records or schedules detailing

the nature, quantity, or value of these in-kind contributions, and no disclosures were made in the financial statements, contrary to IPSAS 1, which requires full disclosure of all resources received, including non-cash contributions. In the circumstances, the accuracy and completeness of in-kind contributions from the County Government nil balance could not be confirmed.

Management Response

Management stated that the in-kind contributions, including personnel emoluments, medical supplies, and maintenance support, were recognized and recorded at the County Department of Health level. These in-kind contributions comprise contra-entry transactions that result in a net zero effect on the Statement of Financial Performance. Consequently, their omission did not materially affect the accuracy, credibility, or fair presentation of the Hospital's financial statements for the year under review. Nonetheless, Management appreciates the importance of full compliance with IPSAS 1 disclosure requirements. Management committed to ensure that all in-kind contributions from the County Government are adequately documented, valued, and disclosed in the financial statements for the financial year 2025/2026 and going forward.

Committee Observations

The Committee observed that the Hospital received significant in-kind contributions from the County Government including personnel emoluments, medical supplies, and maintenance support, which were not disclosed in the financial statements, contrary to IPSAS 1 requirements for full disclosure of all material transactions. The Committee noted that contributions, while recorded at the County Department of Health level, should have been disclosed in the Hospital's own financial statements.

Committee Recommendations

The Committee recommends that—

- i. the Governor, through the Accounting Officer, ensures that all in-kind contributions from the County Government are adequately documented, valued, and disclosed in the financial statements for the Financial Year 2025/2026 and going forward, in full compliance with IPSAS 1 disclosure requirements; and**
- ii. the Auditor-General verifies compliance with in-kind contribution disclosure requirements in the subsequent audit cycle and provides a status update to the Senate.**

EMPHASIS OF MATTER

1. Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Samburu County Teaching and Referral Hospital in 2024/2025 revealed that the following matters remained unresolved: Inaccuracies in Financial Statements; Anomalies in rendering of services – Medical service income; Non-disclosure of property, plant and equipment; Unsupported Inventory Balances; Lack of Approved Budget; Use of Personal Email for Official Communication; Lack of Risk Management Policy and Disaster Recovery Plan; Non-compliance with the Kenya Quality Model for Health (KQMH) Guidelines; Lack of ICT Strategic Plan and ICT Steering Committee; and Lack of an Approved Disaster Recovery Plan.

Management Response

Management stated that the issues relating to Inaccuracies in Financial Statements, Anomalies in Rendering of Services (Medical Service Income), Non-disclosure of Property, Plant, and Equipment, Unsupported Inventory Balances, Lack of Approved Budget, Use of Personal Email for Official Communication, Risk Management Policy and Disaster Recovery Plan have been resolved in the Financial Year 2024/2025. Regarding the issues of Non-compliance with the Kenya Quality Model for Health (KQMH) Guidelines, management has taken proactive steps to address them in the Financial Year 2025/2026. Management notes that Information and Communication Technology (ICT) Policy has been developed and is currently pending approval by the Hospital Board. Further, in the FY 2025/2026, the hospital will collaborate with the County Department's Internal Audit Unit to establish and strengthen compliance and follow-up mechanisms. Management remains committed to ensuring the timely resolution of all outstanding audit issues, strengthening accountability systems, and promoting transparency in financial and operational management.

Committee Observations

The Committee observed that ten prior year audit matters remained unresolved at the time of the FY 2024/2025 audit, including non-disclosure of PPE, unsupported inventory balances, use of personal email for official communication, and the absence of a Risk Management Policy and Disaster Recovery Plan.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer resolves all outstanding prior year issues as required by section 149(2)(l) of the Public Finance Management Act and section 53(1) of the Public Audit Act;
- ii. the Governor should ensure the Accounting Officer develops and submits to the Committee, within sixty (60) days of the adoption of this report, a comprehensive implementation action plan with clear timelines and responsible officers for resolving all outstanding prior year matters; and
- iii. the Auditor-General keeps all unresolved prior-year matters in view in the subsequent audit cycle and reports definitively on their resolution status to the Senate.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Compliance with the Facilities Improvement Financing Requirements

Audit review revealed that the hospital operated a designated Facilities Improvement Financing (FIF) bank account. However, review of revenue records obtained for the Hospital revealed that five (5) health facilities collected a total Kshs. 51,053,154 towards the health facilities improvement, out of which, Kshs. 44,195,702 was collected from Samburu County Teaching and Referral Hospital. It was further noted that an amount of Kshs. 9,410,585 was transferred to County Revenue Fund (CRF) by Management of Samburu County Teaching and Referral Hospital and was never transferred back to the health facility. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023, which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospitals Facilities Improvement Financing Account. In addition, there were no Authority-to-Incur Expenditure issued to the Hospital by the Chief Officer-Health before the monies were incurred. In the circumstances, Management was in breach of the law.

Management Response

Management stated that the remittance of hospital-generated funds to the CRF was a legacy practice that prevailed before the full operationalization and sensitization of the Facilities Improvement Financing Act. Following the coming into force of the Act, management has initiated the process of aligning hospital revenue management practices with the new legal framework and the new revenue collection system called 'Taifa Care.' The hospital has since opened a Facility Improvement Financing Account (FIF Account), and all current collections are now being retained at the facility level in compliance with the Act. In

addition, the County Treasury is refunding the Kshs. 9,410,585 previously remitted to the CRF to the Hospital FIF account. The Chief Officer for Medical Services issued an Authority to Incur Expenditure (AIE) to the Hospital to authorize the relevant expenditures. Management remains committed to ensuring full compliance with the Facilities Improvement Financing Act, 2023.

Committee Observations

The Committee observed that the Hospital transferred Kshs. 9,410,585 to the County Revenue Fund contrary to section 5(1) of the Facilities Improvement Financing Act and incurred expenditures without Authority-to-Incur-Expenditure documents. The Committee noted that the County Treasury has not refunded the amount previously remitted.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the County Executive Committee member for Finance refunds to the Hospital FIF account, within thirty (30) days adoption of this report, the Kshs. 9,410,585 erroneously remitted to the CRF, and submits evidence of the refund to the Senate and the Auditor-General; and**
- ii. the Governor should ensure the Accounting Officer ensures full compliance with sections 5 and 20 of the Facilities Improvement Financing Act, 2023 going forward, ensuring all own-source revenues are retained in the designated FIF account and all expenditures are supported by valid AIEs.**

2. Non-Compliance with Requirements of the Kenya Quality Model for Health Guidelines

Verification of services offered, equipment used and number of members of staff at the Hospital revealed that the Hospital operated with inadequate staff and equipment. Specific staffing deficiencies included: Medical Officers (Hospital: 9, Level 5 Standard: 50, Shortfall: 41); Anesthesiologists (Hospital: 0, Standard: 7, Shortfall: 7); General Surgeons (Hospital: 1, Standard: 4, Shortfall: 3); Gynecologists (Hospital: 0, Standard: 4, Shortfall: 4); Pediatricians (Hospital: 1, Standard: 4, Shortfall: 3); Radiologists (Hospital: 0, Standard: 4, Shortfall: 4); and Registered Community Health Nurses (Hospital: 119, Standard: 250, Shortfall: 131). In addition, the Hospital did not provide MRI services as required. Equipment deficiencies included: Functional ICU beds (Hospital: 5, Standard: 12, Shortfall: 7); HDU beds (Hospital: 5, Standard: 12, Shortfall: 7); Renal unit with at least 5 dialysis machines (Hospital: 4, Standard: 5, Shortfall: 1); and Operating theatres

(Hospital: 2, Standard: 7, Shortfall: 5). Total hospital beds stood at 180 against a standard of 500.

Management Response

Management stated that the Hospital is registered by KMPDC as a Level-Four hospital. Management remains committed to progressively aligning the hospital's staffing and equipment levels with the national standards, ensuring that patients continue to access the highest attainable quality of health services as enshrined under Article 43(1) of the Constitution of Kenya, 2010. The County Government is currently constructing a 200-bed capacity inpatient ward with two operating theatres. Upon completion, this project will increase the hospital's bed capacity from the current 180 to 380. The shortfall in human resources has largely been attributed to wage bill threshold which has hindered the hospital's capacity to recruit the required number of specialized personnel. The hospital has also experienced a high staff attrition rate, partly due to challenges in attracting and retaining specialists willing to work in arid and semi-arid regions. Management has initiated a program to sponsor and support local staff to pursue further studies and specialized training in critical departments where skills gaps exist.

Committee Observations

The Committee observed that the Hospital operated with significant staffing and equipment shortfalls, including the absence of anesthesiologists, gynecologists, and radiologists, and deficiencies in ICU beds, HDU beds, operating theatres, and bed capacity, compromising its ability to deliver quality healthcare services in compliance with the Kenya Quality Model for Health.

Committee Recommendations

The Committee recommends that—

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Senate a comprehensive plan outlining the specific measures being taken to address the hospital's staffing shortages. The measures should include both short-term and long-term solutions, focusing on optimizing existing resources, improving employee welfare, and ensuring sustainable staffing levels moving forward;**
- ii. within ninety (90) days of the adoption of this report, the Committee recommends that the Governor ensures the hospital develops and implements**

- a comprehensive plan, with appropriate budgetary allocations, to acquire and operationalize the required facilities and equipment to provide all services required for a Level 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. Loss of Medical Service Revenue

The statement of financial performance and Note 8 to the financial statements reflect Kshs. 34,785,117 as income from rendering of medical services. However, audit review established that the Hospital lost Kshs. 7,989,316 in potential revenue due to the rejection of claims by the Social Health Authority (SHA). The SHA rejection reports indicated that the Hospital failed to submit mandatory supporting documents required for claims processing. Despite receiving notifications and guidance on the required documentation, Management did not submit the required documents within the prescribed 14-day timeframe. Consequently, the Authority rejected the claims in full, resulting in a significant loss of revenue to the hospital. In the circumstances, the adequacy and effectiveness of internal controls over medical revenue processing, monitoring, and compliance could not be confirmed.

Management Response

Management stated that the rejection of claims amounting to Kshs. 7,989,316 occurred during the initial rollout phase of the SHA digital portal. The primary reasons for these rejections were that the SHA claim interface and data fields differed significantly from previous systems, leading to technical input errors, and at the time of submission, management and billing staff had not been fully briefed on the mandatory attachments and the specific verification workflow required by the new authority. To ensure this does not recur, the hospital had implemented the following safeguards: all billing and administrative officers had undergone intensive sensitization on the SHA claim manual; the management has introduced an internal 'Double-Check' desk to verify that all required documents are attached before a claim is uploaded; and the hospital has adopted the Taifa Care system which is aligned with SHA's data requirements.

Committee Observations

The Committee observed that the Hospital lost Kshs. 7,989,316 in revenue due to SHA claims rejected for failure to submit mandatory supporting documents within the stipulated 14-day period, indicating weaknesses in internal controls over SHA claims management.

Committee Recommendations

The Committee recommends that –

- i. the Governor should ensure the Accounting Officer implements a robust SHA claims management system with designated responsible officers, internal tracking of claim submission deadlines, and a process for managing system downtime or technical failures without loss of revenue; and**
- ii. the Governor should ensure the Accounting Officer submits evidence of follow-up with SHA on the rejected claims of Kshs. 7,989,316 and a status report on recovery to the Senate and the Auditor-General within sixty (60) days of the adoption of this report.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Non-Compliance with Data Protection Requirements

Audit review established that the Hospital had not registered with the Office of the Data Protection Commissioner (ODPC) as a data controller and data processor, despite actively collecting, processing, and storing personal data of staff, patients, and service providers during the year under review. This omission is contrary to the mandatory requirements of Part III of the Data Protection Act, 2019, which obligates all data controllers and processors to register with the ODPC before handling personal data. In the circumstances, the Hospital was in breach of the law.

Management Response

Management stated the hospital had not registered with the ODPC as a data controller and data processor due to limited awareness of the registration process during the period under review. To address this compliance gap, management has initiated the process of aligning hospital operations with the provisions of the Data Protection Act, 2019 and its subsidiary regulations. The hospital is currently engaging the County Department of ICT and Legal Services to facilitate registration with the ODPC and to develop internal data protection and privacy frameworks to guide the handling of personal information. Management is fully committed to ensuring compliance with all data protection requirements.

Committee Observations

The Committee observed that the Hospital had not registered with the Office of the Data Protection Commissioner as a data controller and data processor despite actively handling personal data of staff, patients, and service providers, contrary to Part III of the Data Protection Act, 2019.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer ensures the Hospital completes its registration with the ODPC as a data controller and data processor within sixty (60) days of the adoption of this report in compliance with section 18(1) of the Data Protection Act, 2019; and**
- ii. the Auditor-General verifies the Hospital's registration status with the ODPC and compliance with data protection requirements in the subsequent audit cycle.**

2. Management of Expired Drugs

Review of the supplies in the store revealed that some drugs were expired and were still in the stores with no written request for disposal. In addition, there was no documented policy on identification, storage and destruction of expired pharmaceutical products. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015, which requires the accounting officer to establish a disposal committee for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets. Further, the value of the expired drugs and the dates of receipt were not provided for audit review. The Committee noted with serious concern that the Auditor-General confirmed this issue as not addressed, as the non-current assets were not disclosed in the financial statements and ownership documentation for land and motor vehicles remains outstanding. In the circumstances, Management was in breach of the law.

Management Response

Management stated that the hospital has a dedicated Health Product and Technologies Unit responsible for disposal of expired drugs. All procedures are strictly aligned with the National Guidelines for Safe Management of Health Care Wastes, 2024 and Department of Health Guidelines for Safe Management of Pharmaceutical Waste 2019. During the audit, the expired medications had already been physically segregated from the active inventory. At the time of the audit, the hospital was already in the administrative phase of the disposal process. Following the conclusion of the audit, the final disposal was executed

immediately, successfully clearing the pending inventory in accordance with the aforementioned guidelines.

Committee Observations

The Committee observed that the Hospital had expired drugs in its stores with no written request for disposal and no documented policy on the identification, storage, and destruction of expired pharmaceutical products.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer ensures all expired drugs and medical supplies are immediately quantified, valued, and disposed of in accordance with the Guidelines for Safe Management of Pharmaceutical Waste 2019; and
- ii. the Governor should ensure the Accounting Officer ensures the Hospital implements a functional expired drug management policy with clear requirements for batch tracking, expiry monitoring, segregation, and timely disposal, and submits a copy of the policy to the Auditor-General within sixty (60) days of the adoption of this report.

3. Lack of Key Governance and Policy Documents

Review of the Hospital's internal control environment revealed that Management did not provide evidence of existing and approved policy documents, including the organizational strategic plan, ICT policies, and a risk management policy. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which require Accounting Officers to develop and implement risk management strategies, including fraud-prevention mechanisms and internal controls that support robust and accountable operations. In the circumstances, the adequacy and effectiveness of the Hospital's internal control framework and governance structures could not be confirmed.

Management Response

Chair, the Information and Communication Technology (ICT) Policy, Risk Management Policy and Disaster Recovery Plan have been developed and approved by the Hospital Board. These policies have been formally adopted and implemented to strengthen ICT governance, security, and operational controls within the Hospital. Management remains committed to strengthening governance structures, internal controls, and risk management mechanisms to enhance operational efficiency, accountability, and service delivery.

Committee Observations

The Committee observed that the Hospital did not have approved and operationalised key governance policy documents, including a Strategic Plan, ICT policies, and a Risk Management Policy, contrary to regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015. The Committee noted that while some documents have been developed, full Board approval and implementation remain pending.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer develops and obtains Board approval for all essential governance policies including the Risk Management Policy, ICT Policy, and Disaster Recovery Plan, and submits copies to the Auditor-General for verification; and**
- ii. the Auditor-General verifies the existence and operationalization of all required governance policies in the subsequent audit cycle and provides a status update to the Senate.**

3.2 REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR BARAGOI SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Samburu County, Hon. Lati Lelelit, EGH, appeared before the Committee on 11th March 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for on financial statements for the Samburu County Teaching and Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers –

- | | |
|-------------------------|-----------------------------------|
| 1. Mr. Josphat Lenguris | - Chief Officer, Medical Services |
| 2. Ms. Silvana Kaparo | -CECM, Finance |

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of Baragoi Sub-County Hospital for the period under review on the following basis:

1. Unsupported Medical/Clinical Costs

The statement of financial performance and Note 9 to the financial statements reflects medical/clinical costs balance of Kshs. 572,830. Included in the amount, is an expenditure of Kshs. 46,000 on pharmaceuticals and non-pharmaceuticals and Kshs. 500,600 on food and ration which lacked supporting documentation such as invoices, delivery notes, counter receipt and issue vouchers and inspection and acceptance reports. Further, food and ration were issued in bulk to the person in charge of the kitchen and there were no returns to the main stores on consumption, which is reconciled with patients' register and diet sheet. In the circumstances, the accuracy and completeness of medical/clinical costs balance of Kshs. 572,830 could not be confirmed.

Management Response

Management stated that all expenditures related to drugs and food were conducted in full accordance with established procurement protocols and financial regulations. Due process was followed during the solicitation, approval, and payment phases of these transactions. While it is noted that certain supporting documents were not availed during the initial field audit, this was due to archival delays rather than a failure to generate them. The hospital management successfully traced all the original records, including itemized invoices and delivery notes.

Committee Observations

The Committee observed that medical/clinical costs of Kshs. 572,830 lacked adequate supporting documentation including invoices, delivery notes, counter receipt vouchers, and

inspection reports, and that food and rations were issued in bulk without adequate accountability controls. The Committee noted that management availed only photocopies of supporting documents, with original copies not provided.

Committee Recommendations

The Committee recommends that—

- i. the Governor, through the Accounting Officer, ensures all supporting documentation for medical/clinical expenditures is properly maintained and readily available for audit review at all times, and submits the supporting documentation for the Kshs. 572,830 to the Auditor-General within thirty (30) days of the adoption of this report; and**
- ii. the Governor should ensure the Accounting Officer strengthens internal controls over food and ration management, including implementation of daily issue records, consumption reconciliation with the patients' register and diet sheet, and store returns documentation.**

2. Undisclosed Inventory

The statement of financial position and as disclosed in Note 17 to the financial statements reflect a nil balance in respect to inventory. However, during the year under review, it was noted that the hospital had in its custody assorted inventories but the management did not carry out the required annual stock take and there was no disclosure of the same in the financial statements. This was contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015, which requires the head of the procurement function to conduct both quarterly and annual inventory and stock-taking and submit the report to the accounting officer. In the circumstances, the accuracy and completeness of inventories nil balance could not be confirmed.

Management Response

Management stated that the hospital did not conduct the annual stock take during the year under review due to inadequate staffing in the procurement and stores section, as well as competing operational priorities. To address this gap, management has since initiated measures to ensure full compliance with section 162(2) of the Public Procurement and Asset Disposal Act by designating responsible officers within the procurement and stores department, developing a schedule for periodic inventory verification and strengthening internal controls and documentation for all store movements to enhance accountability and transparency in inventory management in the financial year 2025/2026.

Committee Observations

The Committee observed that the Hospital had assorted inventories in custody but management failed to conduct the mandatory annual stock-take and disclose the inventory balance in the financial statements, contrary to Section 162(2) of the Public Procurement and Asset Disposal Act.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer ensures full compliance with section 162(2) of the Public Procurement and Asset Disposal Act by designating responsible officers to conduct quarterly and annual stock takes, quantifying inventory in monetary terms, and ensuring proper disclosure in the financial statements for FY 2025/2026; and**
- ii. the Auditor-General verifies compliance with inventory management and disclosure requirements in the subsequent audit cycle.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Compliance with the Facilities Improvement Financing Requirements

Audit review revealed that the Hospital neither operated a designated Facilities Improvement Financing (FIF) Bank account nor retained all of its own-source revenues, and incurred expenditures without authorized Authority-to-Incur-Expenditure (AIEs) by the County Chief Officer for Health. This was contrary to Sections 5 and 20 of the Facilities Improvement Financing Act, 2023. In the circumstances, Management was in breach of the law.

Management Response

- Management stated that the Hospital had opened and is operating a designated Facilities Improvement Financing (FIF) bank account and retained its own-source revenues in accordance with the Facilities Improvement Financing Act, 2023. Further, all expenditures were incurred with duly authorized Authority-to-Incur-Expenditure (AIEs) issued by the County Chief Officer for Medical Services, in line with the provisions of Sections 5 and 20 of the Act. Management will continue to ensure strict adherence to the statutory requirements governing FIF operations and strengthen internal controls to enhance compliance and documentation.

Committee Observations

The Committee observed that the Hospital did not demonstrate full compliance with the Facilities Improvement Financing Act, as the designated FIF bank account was not evidenced, own-source revenues were not fully retained, and expenditures were incurred without valid Authority-to-Incur-Expenditure documents.

Committee Recommendation

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer ensures strict compliance with Sections 5 of the Facilities Improvement Financing Act, ensuring all financial revenues are retained in the designated FIF bank account and all expenditures are supported by valid AIEs issued by the County Chief Officer for Medical Services; and**
- ii. the Auditor-General verifies full compliance with FIF Act requirements in the subsequent audit cycle and provides a status update to the Senate.**

2. Non-Compliance with Universal Health Coverage Requirements

Verification of services offered, equipment used and number of members of staff at the Hospital revealed that the Hospital operated with inadequate staff and equipment. The Hospital lacked key specialists, including general surgeons, gynecologists, pediatricians, and radiologists against the required two for each category. Only one (1) medical officer was available against the required sixteen (16), and sixteen (16) registered community health nurses were deployed instead of the required seventy-five (75). The hospital also lacked functional ICU beds, HDU beds, and a renal unit with at least 5 dialysis machines. Available infrastructure was inadequate with only forty (40) beds against the required one hundred and fifty (150), one operating theatre instead of the required two, two (2) newborn unit incubators instead of ten (10), and two (2) resuscitative equipment against a requirement of three (3).

Management Response

Management stated that the shortfall in human resources has largely been attributed to budgetary constraints and wage bill which has hindered the hospital's capacity to recruit the required number of specialized personnel. The hospital has also experienced a high staff attrition rate, partly due to challenges in attracting and retaining specialists willing to work in arid and semi-arid regions. To address this, management has initiated a program to sponsor and support local staff to pursue further studies and specialized training in critical departments where skills gaps exist. Management remains committed to

progressively aligning the hospital's staffing and equipment levels with the national standards for Level 4 Hospitals, ensuring that patients continue to access the highest attainable quality of health services as enshrined under Article 43(1) of the Constitution of Kenya, 2010.

Committee Observation

The Committee observed severe deficiencies in staffing, equipment, and infrastructure at Baragoi Sub-County Hospital that significantly compromised its ability to function as a Level 4 facility in compliance with the Kenya Quality Model for Health requirements.

Committee Recommendation

The Committee recommends that—

- i. the Governor should ensure the County Executive Committee Member for Health develops and submits to the County Assembly within sixty (60) days of the adoption of this report a comprehensive, costed and time-bound plan for achieving full Level 4 hospital status including a staff recruitment plan, equipment acquisition plan, infrastructure development plan, and service expansion roadmap; and**
- ii. the Governor should ensure the County Executive prioritizes allocation of adequate budgetary resources in FY 2025/2026 and medium-term budgets for recruitment of specialist doctors, medical officers, nurses and other critical staff to meet KQMH requirements.**

3. Lack of Essential Medicines at the Facility

Audit comparison of the Kenya Quality Model for Health (KQMH) list of essential medicines required for Level 4 hospitals against what was in stock held by the hospital, indicated that seventeen (17) essential medicines were not stocked, contrary to Appendix 2 of the Ministry of Health's Checklist for Assessing Quality of Healthcare on Essential Medicines. The medicines not stocked included: Cap Amoxicillin; Syr Amoxicillin 125mg/5ml; Tab Paracetamol 500mg; Tab Cotrimoxazole 480mg; Tab Albendazole 400mg; Tab Chlorpheniramine 4mg; Tab Artemisinin lumefantrine 20/120mg; Susp Metronidazole 200mg/5ml; Inj Gentamycin; Inj Benzylpenicillin; Inj Adrenaline 1mg/ml; Inj Hydrocortisone 100mg/ml; Oral rehydration salt 500ML/sachet; Tetracycline eye ointment 1%; Clotrimazole cream 1%; Inj. Oxytocin; and Infusion Normal Saline. In the circumstances, service delivery may have been affected due to failure to meet the requirements of the Kenya Quality Model list of essential medicines.

Management Response

Management stated that at the time of the audit, the facility maintained adequate levels of all essential medicines. The perceived shortage may have resulted from a discrepancy in the physical count location or a misunderstanding of the current inventory cycle. The Hospital Management confirms that all essential drugs were fully available and remained in stock throughout the period in question. Stock Control Cards reflect the actual physical balance on the shelves at the time of the audit, and KEMSA Delivery Notes and Invoices confirm the recent receipt of supplies from the Kenya Medical Supplies Authority (KEMSA).

Committee Observation

The Committee observed that seventeen essential medicines required for a Level-4 facility were not stocked at Baragoi Sub-County Hospital at the time of the audit, in breach of the Kenya Quality Model for Health requirements, which may have adversely affected service delivery.

Committee Recommendation

The Committee recommends that –

- i. the Governor should ensure the Accounting Officer, within thirty (30) days of the adoption of this report, procures and stocks all essential medicines required for a Level 4 facility as prescribed in Appendix 2 of the Ministry of Health's Checklist for Assessing Quality of Healthcare; and**
- ii. the Governor should ensure the Accounting Officer ensures continuous availability of essential medicines through regular stock reviews, procurement planning aligned to KEMSA supply schedules, and maintenance of a minimum safety stock level.**

4. Management of Expired Drugs

Review of store records and audit inspection revealed that several drugs of unknown value had expired but were still being kept in the medical stores. Further, there was no written request or approval for disposal of the expired drugs, and management had not established a documented policy or procedure for the identification, segregation, safe storage, and destruction of expired pharmaceutical products. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015. In the circumstances, Management was in breach of the law.

Management Response

Management stated that the hospital has a dedicated Health Product and Technologies Unit responsible for disposal of expired drugs. All procedures are strictly aligned with the National Guidelines for Safe Management of Health Care Wastes, 2024 and Department of Health Guidelines for Safe Management of Pharmaceutical Waste 2019. During the audit, the expired medications had already been physically segregated from the active inventory. Following the conclusion of the audit, the final disposal was executed immediately, successfully clearing the pending inventory. The presence of expired drugs was a result of an ongoing, documented disposal cycle. Management will strengthen internal controls to ensure that excess drugs are redistributed to other facilities within the County to minimize wastage.

Committee Observations

The Committee observed that the Hospital had expired pharmaceutical products in its stores.

Committee Recommendations

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer ensures all expired drugs and medical supplies are immediately quantified, valued, and disposed of in line with the Guidelines on Safe Disposal of Pharmaceutical Waste, 2019; and**
- ii. the Governor should ensure the Accounting Officer implements a documented expired drug management policy with clear requirements for batch tracking, expiry monitoring, segregation, and timely disposal, and submits the policy to the Auditor-General within sixty (60) days of the adoption of this report.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Key Policy and Governance Documents

The Management did not provide evidence of the existence of policy documents, including strategic plans, ICT policies and risk management policy. The absence of these guiding frameworks contravenes Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires Accounting Officers to develop risk management strategies which include fraud prevention mechanisms and internal control that builds robust business operation.

Management Response

Management stated that the Information and Communication Technology (ICT) Policy, Risk Management Policy and Disaster Recovery Plan have been developed and approved by the Hospital Board. These policies have been formally adopted and implemented to strengthen ICT governance, security, and operational controls within the Hospital. Management remains committed to strengthening governance structures, internal controls, and risk management mechanisms to enhance operational efficiency, accountability, and service delivery.

Committee Observation

The Committee observed that Baragoi Sub-County Hospital did not have approved and operationalised key governance policy documents, including a Strategic Plan, ICT policies, and a Risk Management Policy, contrary to regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that—

- i. the Governor should ensure the Accounting Officer ensures all key governance policies including the ICT Policy, Risk Management Policy, Disaster Recovery Plan, and Strategic Plan are formally approved and operationalized within ninety (90) days of the adoption of this report, and submits copies to the Auditor-General for verification; and**
- ii. the Auditor-General verifies the existence and operationalization of all required governance policies in the subsequent audit cycle and provides a status update to the Senate.**

CHAPTER FOUR: FUNDS

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

In accordance with Article 229(4) of the Constitution as read together with section 7(1) of the Public Audit Act, Cap. 412B, during the period under review, the Auditor-General audited the financial statements of various funds in Samburu 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. Samburu County Executive Staff Mortgage (Members) Scheme Fund;
2. Samburu County Bursaries Fund, Samburu County Climate Change Fund;
3. Samburu County Conservancies Fund;
4. Samburu County Persons Living with Disability Fund; and
5. Samburu County Youth and Women Enterprise Development Fund

Committee Observation

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

Committee Recommendations

The Committee recommends that 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 Samburu County 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.

ANNEXTURES

1. Minutes of the 39th Sitting held on Wednesday 11th March ,2026
2. Minutes of the 52nd Sitting held on Monday 23rd March, 2026



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE 39TH SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON WEDNESDAY, 11TH MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 11.00 A.M.

PRESENT

- | | |
|--------------------------------------|--------------------|
| 1. Sen. Eddy Gicheru Oketch, MP | - Vice Chairperson |
| 2. Sen. William Kisang' Kipkemoi, MP | - Member |
| 3. Sen. Beth Kalunda Syengo, MP | - Member |
| 4. Sen. Peris Pesi Tobiko, CBS, MP | - Member |
| 5. Sen. Raphael Chimera Mwinzagu, MP | - Member |
| 6. Sen. George Mungai Mbugua, MP | - Member |
| 7. Sen. Hamida Ali Kibwana, MP | - Member |

ABSENT WITH APOLOGY

- | | |
|--|---------------|
| 1. Sen. Godfrey Atieno Osotsi, CBS, MP | - Chairperson |
| 2. Sen. Agnes Kavindu Muthama, MP | - Member |

IN ATTENDANCE

- | | |
|---|--|
| 1. Sen. (Dr.) Steve Lelegwe Ltumbesi, CBS, MP | - Senator Samburu County |
| 2. Sen. Hezena Lemaletian | - Nominated Senator,
Samburu County |

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. Jeremy Chabari | - Legal counsel |
| 6. CPA. Kennedy Owuoth | - Fiscal Analyst |
| 7. Mr. Peter Katana | - Research Officer |
| 8. Mr. Martin Mulandi | - Research Officer |
| 9. Mr. Victor Kimani | - Audio officer |
| 10. Mr. John Pere | - Serjeant-at-arms |

IN ATTENDANCE

A. COUNTY EXECUTIVE OF SAMBURU

1. Hon. Jonathan Lati Lelelit, EGH, -Governor
2. Ms. Silvana Kaparo -CECM Finance
3. Mr. Loosenge David -CECM Lands
4. Mr. Loronyokie Peinar -County Attorney
5. Mr. Letirok Solomon -C.O. Finance
6. Mr. Josephat Lenguris -C.O. Medical Services
7. Mr. Mike Lekadaa - C.O. Housing
8. Mr. Fred Kiragu - SAWASCO
9. Mr. Amos Lentoimaga -CSM- SAWASCO
10. Mr. Steve Lemeteki -Municipal Manager
11. CPA I kale Nguchu -Accountant

B. COUNTY ASSEMBLY OF SAMBURU

1. Hon. Stacey Nareyo MCA-Chair PIC/PAC
2. Hon. Joseph Loloju -MCA
3. Mr. Philip Lekalesa -Principal Clerk Assistant
4. Mr. Leok Lekupanai -Principal Clerk Assistant

C. OFFICE OF THE AUDITOR GENERAL

1. Mr. Mark Gachanja -Liaison OAG
2. Mr. Yuvinalis Abongo -Detector Audit

D. OFFICE OF THE CONTROLLER OF BUDGET

- Ms. Constance Wasike - Liaison Officer

E. THE NATIONAL TREASURY

- Dr. Jackson Ndungo -Liaison Officer

MIN. NO. SEN/CPICSF/301/2026 PRAYER

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

MIN. NO. SEN/CPICSF/302/2026 ADOPTION OF THE AGENDA

The agenda of the meeting was adopted having been proposed by Sen. William Kisang' Kipkemoi, MP and seconded by Sen. Beth Kalunda Syengo, MP as follows –

1. Prayer;
2. Adoption of the Agenda;
3. Administration of Oath of Witness and Tabling of Documents;
4. Meeting with the County Executive of Samburu to interrogate Reports of the Auditor-General on the Financial Statements Samburu Water and Sanitation

Company Limited, Samburu County Referral Hospital, Maralal Sub-County Hospital, Baragoi Sub-County Hospital and Municipality of Maralal for Financial Year 2024/2025.

5. Any Other Business; and
6. Date of the Next Meeting and Adjournment.

**MIN. NO. SEN/CPICSF/303/2026 ADMINISTRATION OF OATH OF WITNESS
AND TABLING OF DOCUMENTS**

The Governor of Samburu County took Oath of Witness and tabled the Management responses and supporting documents for the Samburu County Referral Hospital, Maralal Sub-County Hospital, Baragoi Sub-County Hospital and Municipality of Maralal for Financial Year 2024/2025.

The Governor informed the Committee that, other than a member of the Board of the Water Company, no other officer from the Company had accompanied him to assist in responding to the queries raised in the Report of the Auditor-General on the Financial Statements of Samburu Water and Sanitation Company Limited. In the circumstances, the Governor declined to table the management responses and requested the Committee to make a determination on the matter.

**MIN. NO. SEN/CPICSF/304/2026 MEETING WITH THE COUNTY
EXECUTIVE OF SAMBURU TO
INTERROGATE REPORTS OF THE
AUDITOR-GENERAL ON VARIOUS
ENTITIES FOR FINANCIAL YEAR
2024/2025**

- a. The Committee observed that the Auditor-General had rendered a disclaimer opinion the Financial Statement of Samburu Water and Sanitation Company Limited for the Financial Year 2024/2025. Noting that the Governor declined to table the management responses under oath and that he was not ready to continue with the consideration and interrogation of the said report, the Committee resolved to adopt the Report of the Auditor-General as is. The Committee resolved to refer the matter to EACC for investigations into the financial operations of the water company using the financial statement of the company.
- b. The Committee considered the Report of the Auditor-General for Municipality of Maralal for Financial Year 2024/2025 and interrogated a query on non-implementation of transferred and mandated Municipal functions.
 - The Committee observed that Maralal Municipality implemented only street lighting maintenance out of the functions assigned under the Municipal Charter, 2018 (Gazette Notice No. 2664 of 2025) with the County Executive

yet to transfer the requisite financial resources for the discharge of the other delegated functions.

- The Committee directed as follows—
 - The Governor ensures that the operationalization of Maralal Municipality is undertaken according to the functions delegated as gazetted by the County Government under the Maralal Municipal Charter. The Governor should also ensure that the Municipality is adequately funded in accordance with section 172 of the Public Finance Management Act as read together with section 43 of the Urban Areas and Cities Act;
 - The Governor ensures that the Municipality prepares, obtains approval for, and operates its own independent annual budget in compliance with section 43 of the Urban Areas and Cities Act as read together with regulation 99(2) of the Public Finance Management (County Governments) Regulations, 2015, with effect from the Financial Year 2025/2026. A quarterly progress report shall be submitted to the County Assembly and the Auditor-General; and
 - the Auditor-General keeps this matter in view and provides a status update on the implementation of transferred functions in the subsequent audit cycle

- c. the Committee considered the Auditor-General Report for hospitals in Samburu County and the following cross cutting queries were interrogated-
 - I. Non-Compliance with the Facilities Improvement Financing Requirements
 - The Committee observed that both hospitals did not fully comply with key statutory and regulatory requirements. Both hospitals failed to comply with the Facilities Improvement Financing Act, Cap. 277, with Samburu County Teaching and Referral Hospital transferring Kshs. 9,410,585 to the County Revenue Fund contrary to section 5(1) of the Act. Further, Baragoi Sub-County Hospital failed to demonstrate compliance with the requirement to open and maintain an account for financial revenues received by the facility and authorize AIE holders contrary to section 5(2) of the Act.

II. Management of expired drugs

- Samburu County Teaching and Referral Hospital and Baragoi Sub-County Hospital had expired pharmaceutical products in their stores without documented disposal policies, contrary to regulation 4 of the Environmental Management and Co-ordination (Waste Management) Regulations as read together with the Guidelines on Safe Disposal of Pharmaceutical Waste.

The Committee further noted that Samburu County Teaching and Referral Hospital had loss of medical revenue. The Committee observed that the Hospital lost Kshs. 7,989,316 in revenue due to SHA claims rejected for failure to submit mandatory supporting documents within the stipulated 14-day period, indicating weaknesses in internal controls over SHA claims management.

The Committee recommended that –

- i. the Governor should ensure the Accounting Officer implements a robust SHA claims management system with designated responsible officers, internal tracking of claim submission deadlines, and a process for managing system downtime or technical failures without loss of revenue; and
- ii. the Governor should ensure the Accounting Officer submits evidence of follow-up with SHA on the rejected claims of Kshs. 7,989,316 and a status report on recovery to the Senate and the Auditor-General within sixty (60) after the date of the meeting.

MIN. NO. SEN/CPICSF/305/2026 ANY OTHER BUSINESS

There were no any other business.

MIN. NO. SEN/CPICSF/306/2026 DATE OF NEXT MEETING &
ADJOURNMENT

The Chairperson adjourned the meeting at forty-eight minutes past eleven o'clock in the morning. The next meeting would be on Thursday, 12th March, 2026 at nine O'clock in the afternoon.



SIGNED:

DATE: 24/3/2026

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



13TH PARLIAMENT 5TH SESSION

MINUTES OF THE FIFTY SECOND SITTING OF THE COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS COMMITTEE HELD ON MONDAY, 23RD MARCH 2026 IN COMMITTEE ROOM 10, BUNGE TOWER AT 4.00 P.M.

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

A. OFFICE OF THE AUDITOR GENERAL

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

Mr. Patrick Kinoti	-Liaison Officer
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MIN. NO. SEN/CPICSF/382/2026 PRAYER

The meeting was called to order by the Chairperson at twenty minutes past four O'clock in the afternoon 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 by Sen. Agnes Kavindu Muthama, MP and seconded by Sen. George Mungai Mbugua, MP as follows –

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

MIN. NO. SEN/CPICSF/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. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kisumu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kisumu Water and Sanitation Company (KIWASCO)
- b. City Of Kisumu
- c. Ahero County Hospital
- d. Chulaimbo County Hospital
- e. Kisumu County Hospital
- f. Kombewa County Referral Hospital
- g. Lumumba Sub County Hospital
- h. Migosi Sub County Hospital
- i. Muhoroni County Hospital
- j. Nyakach County Hospital
- k. Kisumu County Mortgage & Car Loan (Executive) Fund
- l. Kisumu County Mortgage & Car Loan Assembly Fund
- m. Kisumu Lakefront Development Corporation
- n. Kisumu County Emergency Fund
- o. Kisumu County Bursary Fund
- p. Kisumu County Climate Change Fund
- q. Kisumu County Covid-19 Emergency Response Fund Account
- r. Kisumu County Education Fund
- s. Kisumu County Women, Youth and People with Disabilities Fund

2. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kwale County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kwale Water and Sewerage Company Limited
- b. Diani Municipality
- c. Lungalunga Municipality
- d. Kwale Municipality
- e. Kinango Municipality
- f. Kwale Sub-County Hospital
- g. Msambweni County Referral Hospital
- h. Lungalunga Sub-County Level 4 Hospital
- i. Kinango Level 5 Hospital
- j. Kwale County Bursary and Scholarship Fund
- k. Kwale County Emergency Fund
- l. Kwale County Youth, Women and Person with Disabilities Revolving Fund
- m. Kwale County Trade Revolving Fund
- n. Kwale County Climate Change Fund

3. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in West Pokot County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kapenguria Water Company Limited
- b. Kapenguria Municipality
- c. Kapenguria Referral Hospital
- d. Chepareria Sub-County Level 4 Hospital
- e. Kacheliba Sub-County Level 4 Hospital
- f. Sigor Sub-County Level 4 Hospital
- g. West Pokot County Cooperative Development Fund

4. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nandi County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kapsabet Nandi Water and Sanitation Company (KANAWASCO)
- b. Kapsabet Municipality
- c. Kapsabet County Referral Hospital
- d. Nandi County Alcoholic Drinks Fund
- e. Nandi County Climate Change Fund
- f. Nandi County Executive Education Fund

- g. Nandi County Emergency Fund
- h. Nandi County Facilities Improvement Fund

5. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Bomet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Bomet Water and Sanitation Company Limited (BOMWASCO)
- b. Bomet Municipality
- c. Cheptalal Level 3b Hospital
- d. Kapkoros Level 3a Hospital
- e. Longisa Level 4 Hospital
- f. Ndanai Level 4 Hospital
- g. Sigor Level 4 Sub-County Hospital
- h. Bomet County Education Revolving Fund
- i. Bomet County Bursary Fund
- j. Bomet County Climate Change Fund
- k. Bomet County Executive Car and Mortgage Scheme Fund

6. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Kirinyaga County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Kirinyaga County Water and Sanitation Plc(KICOWASCO)
- b. Rukanga Makutano Water and Sanitation Plc. (RUMAWASCO)
- c. Kerugoya -Kutus Municipal
- d. Sagana Sub - County Level 4 Hospital
- e. Kianyaga Sub County Level 4 Hospital
- f. Kimbimbi Sub County Level 4 Hospital
- g. Kirinyaga County Executive Emergency Fund
- h. County Government of Kirinyaga Executive Mortgage Fund
- i. Kirinyaga Executive Car Loan & Mortgage Fund
- j. Kirinyaga County Alcoholic Drinks Control Fund
- k. Kirinyaga County Climate Change Fund
- l. Kirinyaga County Executive Bursary Fund

7. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyeri County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Mathira Water and Sanitation Company Limited
- b. Narumoru Water and Sanitation Company Limited
- c. Nyeri Water and Sanitation Company Limited

- d. Othaya-Mukurweini Water and Sanitation Company
- e. Tetu Water and Sanitation Company Limited
- f. Nyeri Municipality
- g. Karatina Subcounty Level 4 Hospital
- h. Mt Kenya Subcounty Referral Hospital
- i. Mukureini Sub County Hospital
- j. Nyeri County Referral Hospital
- k. Othaya Sub County Hospital
- l. Nyeri County Climate Change Fund
- m. Nyeri County Elimu Fund
- n. Nyeri County Enterprise Fund
- o. Nyeri County Health Services Fund

8. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Taita-Taveta County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Tavevo Water and Sewerage Company Limited
- b. Special Municipality of Mwatate
- c. Taveta Municipality
- d. Voi Municipality
- e. Moi (Voi) County Referral Hospital
- f. Wesu Sub-County Hospital
- g. Taveta Sub-County Hospital
- h. Mwatate Sub-County Hospital
- i. Taita Taveta County Education Fund Board
- j. Taita Taveta County Car Loan and Mortgage Fund
- k. Taita Taveta County Facilities Improvement Fund
- l. Taita Taveta County Climate Change Fund
- m. Taita Taveta Investment and Development Corporation

9. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Nyandarua County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Nyandarua Water and Sanitation Company Limited
- b. Olkalou Water and Sanitation Company Limited
- c. Mairo-Inya Municipality
- d. Engineer Municipality
- e. Olkalou Municipality
- f. Engineer County Hospital
- g. Jm Kariuki Memorial County Referral Hospital

- h. Nyandarua County Bursary Fund
- i. Nyandarua County Climate Change Fund
- j. Nyandarua County Executive (State and Public) Car Loan and Mortgage Scheme Fund
- k. Nyandarua County Emergency Fund

10. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- a. Samburu Water and Sanitation Company Limited (SAWASCO)
- b. Maralal Municipality
- c. Samburu County Teaching and Referral Hospital
- d. Baragoi Sub-County Hospital
- e. Samburu County Executive Staff Mortgage Fund
- f. Samburu County Bursaries Fund
- g. Samburu County Climate Change Fund
- h. Samburu County Conservancies Fund
- i. Samburu County Persons Living with Disability Fund
- j. Samburu County Youth and Women Enterprise Development Fund

11. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Samburu County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- 1. Garissa Water and Sewerage Company Limited.
- 2. Garissa Municipality
- 3. Dadaab Municipality
- 4. Masalani Municipality
- 5. Garissa County Level 5 Teaching and Referral Hospital
- 6. Ijara Sub-County Hospital
- 7. Modogashe Sub-County Hospital
- 8. Dadaab Sub-County Hospital
- 9. Garissa County Emergency Fund
- 10. Garissa County Revolving Fund
- 11. Garissa Climate Change Fund
- 12. Garissa County Scholarship Fund

12. Report of the Select Committee on County Public Investments and Special Funds on the consideration of the Audit Reports of the following entities in Elgeyo Marakwet County for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025)-

- 1. Iten Tambach Water and Sewerage Company Limited.
- 2. Cherang'any Marakwet Water and Sanitation Company Limited
- 3. Iten Tambach Unicity

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

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

There was no any other business.

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

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



SIGNED: DATE:

24/3/2026

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