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*31/03/2026*

**REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF LAIKIPIA COUNTY WATER COMPANIES, MUNICIPALITIES, HOSPITALS, FUNDS AND COUNTY ENTITIES FOR THE FINANCIAL YEAR 2024/2025**

SECTOR	NO.	ENTITIES
WATER COMPANIES	2	NYAHURURU WATER AND SANITATION COMPANY LIMITED
		NANYUKI WATER AND SANITATION COMPANY
MUNICIPALITIES	2	MUNICIPALITY OF NANYUKI
		MUNICIPALITY OF RUMURUTI
HOSPITALS	4	NANYUKI TEACHING AND REFERRAL HOSPITAL
		DOLDOL LEVEL 4 HOSPITAL
		RUMURUTI SUB-COUNTY HOSPITAL
		NYAHURURU COUNTY REFERRAL HOSPITAL
FUNDS	6	EMERGENCY FUND
		BURSARY FUND
		ASSETS LEASING FUND
		BUSINESS STIMULUS FUND
		CLIMATE CHANGE FUND - FLLOCA
		LAIKIPIA COUNTY COOPERATIVE FUND.
COUNTY ENTITIES	2	COUNTY REVENUE BOARD
		COUNTY DEVELOPMENT AUTHORITY

MARCH, 2026

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

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## **ACRONYMS AND ABBREVIATIONS**

<b>CECM</b>	County Executive Committee Member
<b>COB</b>	Controller of Budget
<b>DRP</b>	Disaster Recovery Plan
<b>EACC</b>	Ethics and Anti-Corruption Commission
<b>FIF</b>	Facilities Improvement Financing Act
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>HDU</b>	High Dependency Unit
<b>ICU</b>	Intensive Care Unit
<b>ICT</b>	Information and Communication Technology
<b>IFMIS</b>	Integrated Financial Management Information System
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>KEMSA</b>	Kenya Medical Supplies Authority
<b>KMPDC</b>	Kenya Medical Practitioners and Dentists Council
<b>KQMH</b>	Kenya Quality Model for Health
<b>KUSP II</b>	Kenya Urban Support Program Phase II
<b>LCRB</b>	Laikipia County Revenue Board
<b>MCA</b>	Member of County Assembly
<b>NCIC</b>	National Cohesion and Integration Commission
<b>NHIF</b>	National Health Insurance Fund
<b>NSSF</b>	National Social Security Fund
<b>OAG</b>	Office of the Auditor-General
<b>PAA</b>	Public Audit Act
<b>PFM</b>	Public Finance Management
<b>PPB</b>	Pharmacy and Poisons Board
<b>PPE</b>	Property, Plant and Equipment
<b>PPADA</b>	Public Procurement and Asset Disposal Act
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>SHA</b>	Social Health Authority
<b>SHIF</b>	Social Health Insurance Fund
<b>SRC</b>	Salaries and Remuneration Commission
<b>UDG</b>	Urban Development Grant
<b>UHC</b>	Universal Health Coverage
<b>UIG</b>	Urban Institutional Grant

## 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**

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

- a) examine the reports and accounts of county public investments; and
- b) 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 Laikipia County water company, Municipalities, Hospitals and Funds for the Financial Year 2024/2025. The entities covered are: two companies, namely the Nyahururu Water and Sanitation Company Limited and the Nanyuki Water and Sanitation Company; two municipalities: the Municipality of Nanyuki and the Municipality of Rumuruti; four hospitals, which include the Nanyuki Teaching and Referral Hospital, Doldol Level 4 Hospital, Rumuruti Sub-County Hospital, and Nyahururu County Referral Hospital; and two county entities, the Laikipia County Revenue Board and the Laikipia County Development Authority.

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

## COMMITTEE MEMBERSHIP

The membership of the Committee comprises the following Senators-

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

## COMMITTEE SECRETARIAT

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

## **ESTABLISHMENT OF THE COMMITTEE**

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

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

## **EXECUTIVE SUMMARY**

In the execution of its mandate, the Committee relied on the reports of the Auditor-General on audited accounts of the municipalities, hospitals and county entities for the Financial Year 2024/2025 (1st July, 2024 to 30th June, 2025) as the primary documents for the investigations. The Committee invited the Governor of Laikipia 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 entities in Laikipia County for the Financial Year 2024/2025. The entities covered are: two water company (Nanyuki Water and Nyahururu Water Company Limited); two municipalities (Rumuruti and Nanyuki); four hospitals (Doldol Level 4 Hospital, Nyahururu County Referral Hospital, Nanyuki Teaching Referral Hospital, and Rumuruti Sub County Hospital); and Laikipia County Development Authority and Laikipia County Revenue Board.

The audit reveals systemic weaknesses in financial management, governance, and service delivery across Laikipia County's water company, municipalities, hospitals, and funds. Key issues include massive liabilities and high Non-Revenue Water at the water company, a lack of operational autonomy in municipalities, and critical staffing and equipment shortages in hospitals contrary to health standards. Furthermore, county funds are plagued by inaccurate financial statements, weak governance, and doubtful recoverability of receivables, with widespread non-compliance with laws such as 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 audio reports for Nanyuki Water and the Nyahururu Water for the Financial Year 2024/2025 and the Committee's observations and recommendations for each query.

**CHAPTER TWO** covers the audit reports for the Municipalities of Nanyuki and Rumuruti for the Financial Year 2024/2025 and the Committee's observations and recommendations on each audit query.

**CHAPTER THREE** covers the audit reports for the Nanyuki Teaching and Referral Hospital, Doldol Level 4 Hospital, Rumuruti Sub-County Hospital and Nyahururu County Referral 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 the Laikipia County Revenue Board and the Laikipia County Development Authority for the Financial Year 2024/2025 and the Committee's observations and recommendations on each audit query.

## GENERAL OBSERVATIONS FOR WATER COMPANIES

The Committee made the following general observations regarding the water companies under review;

1. **Excessive Non-Revenue Water:** Non-Revenue Water (NRW) levels in both water companies significantly exceeded the 25% regulatory benchmark prescribed by the Water Services Regulatory Board (WASREB). NYAHUWASCO recorded an NRW of 36.76%.
2. **Excessive Staff Costs:** Staff costs as a percentage of operating and maintenance costs in both companies exceeded the 35% benchmark prescribed under Section 3.9 of the WASREB Corporate Governance Standards, 2024.
3. **Non-Compliance with Ethnic Diversity Requirements:** Both companies were in persistent breach of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which prohibits any public institution from having more than one-third of its employees drawn from a single ethnic community.
4. **Long-Outstanding Receivables and Payables:** Both companies had significant long-outstanding trade receivables and payables, pointing to weaknesses in debt recovery frameworks and creditor management.
5. **Budgetary Control and Performance:** Both companies recorded material budget underperformance during the year under review, indicating weaknesses in revenue planning, expenditure management, and budget execution.
6. **Unresolved Prior Year Audit Issues:** Numerous audit issues from prior financial years remain unresolved in both companies, pointing to inadequate follow-up mechanisms, weak accountability structures, and a lack of commitment by management and boards to address recurring audit queries.

## GENERAL RECOMMENDATIONS FOR WATER COMPANIES

The Committee makes the following general recommendations with respect to the water companies in Laikipia County:

1. **Non-Revenue Water Reduction Plans:** The Governor of Laikipia County should direct the management of both NYAHUWASCO and NAWASCO to develop and implement comprehensive Non-Revenue Water (NRW) reduction plans within sixty (60) days of the adoption of this report. These plans shall include specific annual reduction targets, measurable milestones, infrastructure rehabilitation programmes, installation of smart meters for accurate billing, application of GIS technology for real-time leakage detection, and strategies to combat illegal connections. Management of both entities shall disclose the proportional breakdown of physical and commercial losses in periodic reports. Progress against these targets shall be reported quarterly to the County Executive Committee and the Auditor-General.

2. **Staff Cost Rationalisation:** The Governor should ensure that the Accounting Officers of both NYAHUWASCO and NAWASCO develop and submit documented, time-bound staff rationalisation plans with measurable annual milestones demonstrating a credible path to attaining the WASREB 35% personnel-cost benchmark under Section 3.9 of the WASREB Corporate Governance Standards, 2024. The plans shall be submitted to the Senate and Auditor-General within sixty (60) days of the adoption of this report, and the Boards shall monitor staff costs against the benchmark in each subsequent budget cycle with quarterly reporting.
3. **Compliance with Ethnic Diversity Requirements:** The Governor should ensure that the Boards of Directors of both NYAHUWASCO and NAWASCO direct their respective Accounting Officers to develop and implement formal ethnic diversity and inclusion policies with specific measurable targets and timelines for achieving compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008. Compliance status reports for both entities shall be submitted to the Senate within sixty (60) days of the adoption of this report. Continued non-compliance shall necessitate the invocation of the applicable provisions of the National Cohesion and Integration Act.
4. **Receivables Recovery and Payables Settlement:** The Governor should ensure that the Accounting Officers of both entities develop comprehensive debt recovery strategies for all long-outstanding receivables, inclusive of formal demand notices and, where recovery fails, initiation of legal proceedings or provision for bad and doubtful debts. Both entities shall establish structured repayment schedules for all aged payables in compliance with Section 41(2) of the Public Finance Management (County Governments) Regulations, 2015. Fully reconciled receivables and payables schedules shall be submitted to the Senate and Auditor-General within sixty (60) days of the adoption of this report.
5. **Budgetary Control and Performance:** The Governor should ensure that the Boards of Directors and Accounting Officers of both NYAHUWASCO and NAWASCO adopt evidence-based budget preparation methodologies that align revenue projections with actual collection trends, approved tariff implementation timelines, and confirmed grant disbursement schedules. Both entities shall submit quarterly budget performance reports to their respective Boards and relevant oversight authorities in compliance with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. Failure to comply with budgetary control requirements shall necessitate the invocation of Section 199 of the Public Finance Management Act on penalties for offences.
6. **Resolution of Prior Year Audit Queries:** The Governor should instruct the Accounting Officers of both NYAHUWASCO and NAWASCO to establish audit steering committees, each chaired by a senior management official, with the

mandate to oversee the resolution of all outstanding prior year audit queries in compliance with Section 149(2)(l) of the Public Finance Management Act, Cap.412A.

## **GENERAL OBSERVATIONS FOR MUNICIPALITIES**

### **The Committee observed that—**

1. **Weak Budgetary Control and Performance:** Both municipalities experienced significant revenue shortfalls and under-absorption of allocated funds during the financial year under review. Nanyuki Municipality recorded a revenue shortfall of 96% of its approved budget, primarily attributable to the non-disbursement of external grants under the Kenya Urban Support Program Phase II (KUSP II). Rumuruti Municipality recorded a revenue shortfall of 27% and an under-absorption of 8% of actual revenue, indicating weaknesses in budget execution and financial planning.
2. **Lack of Operational Autonomy:** Neither municipality had achieved the full operational autonomy contemplated under their respective Municipal Charters. The County Executive continued to exercise control over critical functions formally transferred to the municipalities, including budget preparation, revenue collection, and service delivery, thereby contravening Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, 2011, which guarantee management, functional, and financial independence.
3. **Unresolved Prior Year Audit Matters:** Both municipalities had unresolved audit issues from prior financial years that required urgent management attention. The persistence of these unresolved matters indicates weak follow-up mechanisms, inadequate internal controls, and a lack of commitment by management and boards to address recurring audit queries.

## **GENERAL RECOMMENDATIONS FOR MUNICIPALITIES**

### **The Committee recommends that—**

1. **Operational Autonomy:** The Governor of Laikipia County should take immediate and measurable steps to ensure that both Nanyuki Municipality and Rumuruti Municipality achieve full operational independence by 30th June 2026, in accordance with Sections 12, 20, 45, and 46 of the Urban Areas and Cities Act, Cap. 275. This shall include the formal transfer of all budgetary, revenue collection, and service delivery functions to the municipalities as provided for in their respective Municipal Charters. A quarterly progress report on the implementation of the transition plan shall be submitted to the County Assembly and the Auditor-General.
2. **Timely and Full Disbursement of Budgeted Transfers:** The Governor should ensure that all budgeted transfers to the municipalities are disbursed fully and on time to enable effective budget implementation and service delivery. The County Treasury shall, within thirty (30) days of the adoption of this report, develop and

implement a disbursement schedule aligned with the municipalities' cash flow requirements, giving priority to the settlement of outstanding external grants such as the Kenya Urban Support Program Phase II (KUSP II) funds. Compliance with the disbursement schedule shall be reported to the County Executive Committee on a monthly basis.

3. **Compliance with Ethnic Diversity Requirements:** The Governor of Laikipia County should ensure strict compliance with Section 7(2) of the National Cohesion and Integration Act, 2008 (Cap. 7N), in all future recruitments for both municipalities. With specific reference to Rumuruti Municipality, where all twelve (12) staff members are drawn from a single ethnic community, the County Public Service Board shall, within ninety (90) days, develop and implement a remedial recruitment plan aimed at progressively achieving the required ethnic diversity. A compliance report shall be submitted to the National Cohesion and Integration Commission (NCIC) and the Auditor-General within six (6) months.
4. **Strengthened Budgetary Control and Performance:** The Accounting Officers of both municipalities should undertake a comprehensive review of budget preparation and execution processes to address the significant revenue shortfalls and under-absorption identified. For Nanyuki Municipality, specific measures shall be implemented to mitigate over-reliance on external grants by diversifying funding sources and strengthening donor coordination. For Rumuruti Municipality, realistic revenue projections shall be developed based on actual collection data, and expenditure controls shall be tightened to align with available resources. Quarterly budget performance reports shall be submitted to the County Executive Committee and the Auditor-General.
5. **Resolution of Prior Year Audit Matters:** The Accounting Officers of both municipalities should develop and maintain comprehensive Audit Action Plans within thirty (30) days to systematically track and address all outstanding prior year audit issues. Each plan shall assign specific responsibilities to designated officers, set clear timelines for resolution, and provide for monthly progress reviews by the Municipal Boards and the Audit Committees. Status updates on the implementation of the Action Plans shall be submitted to the County Executive Committee and the Auditor-General every quarter until all queries are fully resolved.
6. **Strengthened Oversight by County Government:** The County Executive Committee Member responsible for urban development should, pursuant to the Urban Areas and Cities Act, 2011, undertake regular quarterly monitoring of the financial and operational performance of both municipalities. Monitoring reports shall be submitted to the County Executive Committee, the County Assembly, and the Auditor-General, and shall include analysis of progress against the operational autonomy transition plan, revenue generation performance, resolution of audit queries, and compliance with statutory requirements.

## **GENERAL OBSERVATIONS FOR HOSPITALS**

**The Committee made the following general observations regarding the hospitals -**

- 1. Material Inaccuracies in Financial Statements:** All three hospitals had material inaccuracies in their financial statements for the year under review, including unexplained variances, casting errors, and unsupported balances. These deficiencies contravene the International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act, Cap. 412A, and undermine the reliability and credibility of the financial reports presented to stakeholders.
- 2. Long-Outstanding Trade Payables:** Three of the four hospitals — Nanyuki Teaching and Referral Hospital, Rumuruti Sub-County Hospital, and Nyahururu County Referral Hospital — had significant long-outstanding payables, with Nanyuki Teaching and Referral Hospital reporting trade payables of Kshs. 266,600,102, of which Kshs. 145,827,734 had remained outstanding for a period exceeding one year. This contravenes Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, and exposes the hospitals to potential litigation, strained supplier relationships, and disruption of essential medical supplies and services.
- 3. Undisclosed Property, Plant and Equipment:** All three hospitals had assets, including land, buildings, motor vehicles, and medical equipment, that were not properly valued or disclosed in their financial statements. This omission contravenes Section 149(2)(o) of the Public Finance Management Act, 2012, and Paragraph 17 of IPSAS 17 on Property, Plant and Equipment, and results in the understatement of the hospitals' asset bases and the distortion of their true financial position.
- 4. Delays in SHA and NHIF Reimbursements:** Persistent delays in reimbursements from the Social Health Authority (SHA) and the National Health Insurance Fund (NHIF) significantly affected hospital revenues, constrained operational capacity, and impaired the ability of the hospitals to settle outstanding obligations to suppliers and service providers. This cash flow challenge undermines service delivery and financial sustainability.
- 5. Lack of ICT Governance and Disaster Recovery Plans:** All three hospitals lacked approved disaster recovery plans and adequate ICT governance structures, including policies on data security, business continuity, and system backups. This exposes patient data and critical hospital information systems to risks of loss, breach, or extended downtime in the event of a disaster or system failure, contrary to the guidelines on ICT governance in the public sector.

## **GENERAL RECOMMENDATIONS FOR HOSPITALS**

**The Committee recommends that -**

- 1. Accountability for Inaccurate Financial Statements:** The Governor of Laikipia County should take appropriate administrative action against the Accounting Officers responsible for the preparation of inaccurate financial

statements, including unexplained variances, casting errors, and unsupported balances. Concurrently, the County Government, in collaboration with the Public Sector Accounting Standards Board (PSASB), should ensure comprehensive capacity building for all finance staff on International Public Sector Accounting Standards (IPSAS) and financial reporting requirements within ninety (90) days of the adoption of this report.

2. **Settlement of Long-Outstanding Trade Payables:** The Governor should ensure that all hospitals institute robust debt management policies and prioritize the settlement of long-outstanding payables as a first charge on revenue, in compliance with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015. With specific reference to Nanyuki Teaching and Referral Hospital, a detailed payment plan for the clearance of the Kshs. 145,827,734 outstanding for over one year shall be developed and submitted to the County Treasury and the Auditor-General within thirty (30) days, providing for full settlement within twelve (12) months.
3. **Valuation and Full Disclosure of Assets:** The Governor should ensure that all hospitals complete a comprehensive valuation of all assets, including land, buildings, motor vehicles, and equipment, and ensure full disclosure of property, plant and equipment in the financial statements in compliance with IPSAS 17 and Section 149(2)(o) of the Public Finance Management Act, 2012. An updated fixed asset register, with all assets properly valued and recorded, shall be submitted to the Auditor-General within 120 days of the adoption of this report.
4. **Resolution of SHA and NHIF Receivables:** The Governor should formally engage the Social Health Authority (SHA), the National Health Insurance Fund (NHIF), and the National Treasury to expedite the resolution of all outstanding reimbursements that are adversely affecting hospital operations and cash flow. A structured engagement framework shall be established, with quarterly progress reports submitted to the County Assembly and the Auditor-General until all outstanding receivables are fully settled.
5. **ICT Governance and Disaster Recovery Plans:** The Governor should ensure that all hospitals develop, approve, and implement comprehensive Disaster Recovery Plans (DRPs) and adequate ICT governance frameworks within 180 days of the adoption of this report. These shall include policies on data security, business continuity, system backups, and disaster response protocols. Evidence of approved plans and initial implementation status shall be submitted to the Auditor-General for review.
6. **Strengthened Oversight and Monitoring:** The County Executive Committee Member for health should undertake quarterly monitoring of the financial and operational performance of all hospitals, with specific attention to the implementation of these recommendations. Monitoring reports shall be submitted to the County Executive Committee, the County Assembly, and the

Auditor-General, and shall include analysis of progress against debt settlement plans, asset valuation, infrastructure upgrades, and compliance with statutory requirements.

## GENERAL OBSERVATIONS FOR COUNTY ENTITIES

The Committee made the following general observations regarding the Laikipia County Revenue Board and the Laikipia County Development Authority

1. **Material Inaccuracies in Financial Statements:** Both the Laikipia County Revenue Board and the Laikipia County Development Authority had material inaccuracies in their financial statements for the year under review, including unreconciled variances and unsupported balances. These deficiencies contravene the International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act, Cap. 412A, and undermine the reliability and credibility of the financial reports presented to stakeholders.
2. **Lack of ICT Governance Structures:** Both entities lacked formally established ICT governance structures, including ICT Strategic Committees and IT Steering Committees, as required by the guidelines on ICT governance in the public sector. The absence of these structures exposes the entities' information systems and data to risks of breach, loss, and inadequate oversight, and impedes the strategic alignment of ICT investments with organizational objectives.
3. **Unresolved Prior Year Audit Matters:** Both entities had significant unresolved audit issues from prior financial years that required urgent management attention. The persistence of these unresolved matters indicates weak follow-up mechanisms, inadequate internal controls, and a lack of commitment by management and boards to address recurring audit queries, perpetuating a cycle of non-compliance and eroding public confidence.

## GENERAL RECOMMENDATIONS FOR COUNTY ENTITIES

The Committee recommends that—

1. **Accuracy and Completeness of Financial Statements:** The Accounting Officers of both entities shall ensure that all figures in the financial statements are fully reconciled, supported by complete and properly organized working papers, and accompanied by detailed explanatory notes in compliance with applicable International Public Sector Accounting Standards (IPSAS). A pre-audit review mechanism shall be established to verify the accuracy and completeness of financial statements before submission to the Auditor-General, with effect from the next financial year.
2. **Establishment of ICT Governance Frameworks:** The Governor shall ensure that both entities establish formal ICT governance frameworks within ninety (90) days of the adoption of this report, including fully constituted ICT Strategic Committees and IT Steering Committees with clear terms of reference. The frameworks shall address data security, business continuity, system backups, disaster recovery, and strategic alignment of ICT investments with organizational objectives. Evidence of establishment and inaugural meeting minutes shall be submitted to the Auditor-General.

3. **Resolution of Prior Year Audit Matters:** The Accounting Officers of both entities shall prepare comprehensive implementation action plans within thirty (30) days for resolving all outstanding prior year audit matters. Status updates on the implementation of the action plans shall be submitted to the respective Boards and the Auditor-General every quarter until all queries are fully resolved.
4. **Enhanced Monitoring by County Government:** The County Executive Committee Member for finance shall undertake quarterly monitoring of the financial and operational performance of both entities, with specific attention to the implementation of these recommendations. Monitoring reports shall be submitted to the County Executive Committee, the County Assembly, and the Auditor-General, and shall include analysis of progress against liquidity targets, debt settlement plans, ICT governance establishment, and resolution of audit queries.

**ACKNOWLEDGEMENTS**

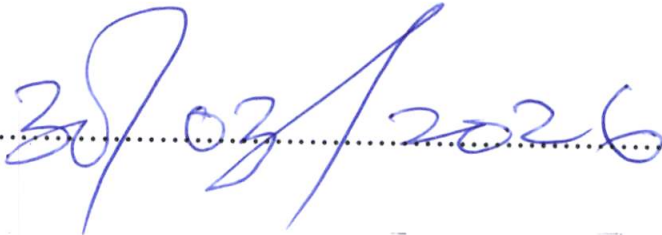
The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in considering the audit reports. The Committee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

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

SIGNED:.....  
..



DATE:.....  
..

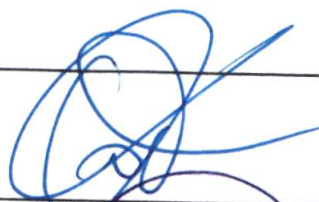
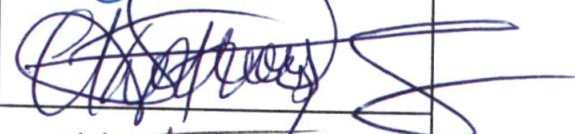
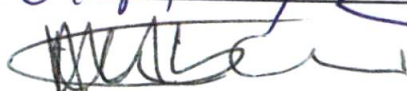
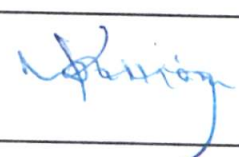




**HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP  
CHAIRPERSON**

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

<b>SECTOR</b>	<b>NO.</b>	<b>ENTITIES</b>
<b>WATER COMPANIES</b>	<b>2</b>	<b>NYAHURURU WATER AND SANITATION COMPANY LIMITED</b>
		<b>NANYUKI WATER AND SANITATION COMPANY</b>
<b>MUNICIPALITIES</b>	<b>2</b>	<b>MUNICIPALITY OF NANYUKI</b>
		<b>MUNICIPALITY OF RUMURUTI</b>
<b>HOSPITALS</b>	<b>4</b>	<b>NANYUKI TEACHING AND REFERRAL HOSPITAL</b>
		<b>DOLDOL LEVEL 4 HOSPITAL</b>
		<b>RUMURUTI SUB-COUNTY HOSPITAL</b>
		<b>NYAHURURU COUNTY REFERRAL HOSPITAL</b>
<b>FUNDS</b>	<b>6</b>	<b>EMERGENCY FUND</b>
		<b>BURSARY FUND</b>
		<b>ASSETS LEASING FUND</b>
		<b>BUSINESS STIMULUS FUND</b>
		<b>CLIMATE CHANGE FUND - FLLOCA</b>
		<b>LAIKIPIA COUNTY COOPERATIVE FUND.</b>
<b>COUNTY ENTITIES</b>	<b>2</b>	<b>COUNTY REVENUE BOARD</b>
		<b>COUNTY DEVELOPMENT AUTHORITY</b>

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

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

## CHAPTER ONE: WATER COMPANIES

### 1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYAHURURU WATER AND SANITATION COMPANY LIMITED (NYAHUWASCO) FOR THE FINANCIAL YEAR 2024/2025

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared on 27<sup>th</sup> January before the Committee to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nyahururu Water and Sanitation Company Limited (NYAHUWASCO) for the Financial Year 2024/2025. Governor was accompanied by the following officers;

1. Samuel Wachira - (CECM) for Finance, Laikipia County
2. Bernard Mwaura - Managing Director, NYAHUWASCO
3. Duncan Chege -The Finance Manager, NYAHUWASCO

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Nyahururu Water and Sanitation Company Limited on the following basis; -

##### 1. Unsupported Trade and Other Payables – Fees and Levies

The statement of financial position and Note 43 to the financial statements reflect a balance of Kshs. 158,186,411 in respect of trade and other payables, which includes outstanding fees and levies of Kshs. 48,210,959. Included in the fees and levies balance is an amount of Kshs. 8,480,984 owing to the Northern Water Works Agency. However, this balance was not supported by schedules, ledgers, or invoices from the Agency. Further, the Agency's financial statements for the year ended 30 June 2025 reflect a balance of Kshs. 8,500,092 as owing from the Company. The variance of Kshs. 19,108 has not been reconciled.

In the circumstances, the accuracy and completeness of the trade payables on fees and levies balance of Kshs. 8,480,984 could not be confirmed.

##### Management Response

Management noted the Auditor's observation and has engaged the Northern Water Works Development Agency to reconcile the minor variance of Kshs. 19,108 noted between the two sets of records. In addition, relevant ledger records relating to the balance of Kshs. 8,480,984 were availed during the audit process. Management looks forward to concluding the reconciliation exercise and resolving any differences in subsequent reporting periods.

##### Committee Observation

The Committee observed that the fees and levies payable balance of Kshs. 8,480,984 owed to the Northern Water Works Development Agency was not supported by schedules, ledgers, or invoices during the audit period; the Agency's financial statements reflected a balance of Kshs. 8,500,092 resulting in an unreconciled variance of Kshs. 19,108; and no formal reconciliation statement was provided to confirm the two sets of records had been brought into agreement.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits a fully reconciled statement of the fees and levies balance owed to the Northern Water Works Development Agency to the Auditor-General for verification, with copies to the Senate;**
- ii. the Governor ensures the Accounting Officer institutes a formal monthly reconciliation process with all regulatory bodies to prevent future discrepancies. The Auditor-General to keep the matter in view in the subsequent audit cycle; and**
- iii. the Governor takes appropriate administrative action on responsible officers who fail to maintain complete and accurate creditor records in accordance with Section 156(1) of the Public Finance Management Act, Cap. 412A.**

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

The statement of financial position and Note 20 to the financial statements reflect a property, plant and equipment balance of Kshs. 234,403,175. However, ownership documents for four (4) motor vehicles of unknown value donated by the former Northern Water Services Board and the County Government of Laikipia had not been transferred and registered in the Company's name. Further, the Fixed Assets Register provided was incomplete as the buildings and civil works listed do not reflect the true value, since valuation has not been done nor have purchase prices been included. Additionally, audit inspection of assets showed that furniture, new and old printers, laptops, and boardroom fixtures have not been tagged for easier identification.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 234,403,175 could not be confirmed.

### **Management Response**

In partnership with the County Government of Laikipia, Management has commenced the process of updating and harmonizing the asset register in line with the Fixed Assets Register Guidelines for Asset and Liability Management. This exercise involves—

- a. Proper valuation of buildings and civil works to ensure all assets are accurately recorded at their correct values. To date, Management has implemented a Geographical Information System (GIS) for all Company assets, capturing**

accurate coordinates that have enabled effective mapping of all assets and installations.

- b. The Company has formally engaged the Northern Water Works Agency to facilitate the transfer and registration of the four (4) motor vehicles currently still registered under the former Northern Water Services Board. (See Appendix 2 – Letter to Northern Water Works Agency on Transfer of Motor Vehicles)
- c. The Company has allocated resources in the 2025/2026 financial year budget for a comprehensive asset valuation and tagging exercise, demonstrating its commitment to ensuring that the register reflects the true and fair value of all assets. (See Appendix 3 – Copy of Approved Budget for Asset Valuation and Tagging)

Management is dedicated to concluding this exercise within the current financial year in line with the recommendations of the Senate and the Auditor-General, thereby enhancing completeness, accountability, and safeguarding of Company assets.

### **Committee Observation**

The Committee observed that four motor vehicles donated by the former Northern Water Services Board and the County Government of Laikipia remained unregistered in the Company's name; the Fixed Assets Register was incomplete with buildings and civil works listed without valuations or purchase prices, leaving the PP&E balance of Kshs. 234,403,175 unverifiable; and furniture, printers, laptops, and boardroom fixtures had not been tagged.

### **Committee Recommendation**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters of water, should engage with the relevant Water Works Development Agencies to ensure the transfer of ownership documents of the donated items is fast-tracked;**
- ii. the Governor ensures that the management of the water company ensures that the valuation of all assets of the water company is fast-tracked and submits the valuation report to the Auditor- General for verification. The Auditor general to provide a status update on the matter in the subsequent audit cycle;**
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Senate and a copy to the Auditor General for verification;**
- iv. the governor should ensure that the accounting officer undertakes adjustments to the financial statements so as to reflect the true value of the**

- assets and auditor general should keep the matter in view in the subsequent audit cycle; and
- v. the Accounting Officer ensures that the water company maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

### 3. Material Uncertainty Related to Going Concern

As previously reported, the statement of financial position as at 30<sup>th</sup> June 2025 reflects current assets of Kshs. 154,586,296 and current liabilities of Kshs. 209,124,692, resulting in a negative working capital of Kshs. 54,538,396. This indicates that the Company's short-term liabilities exceed its short-term assets, indicating potential liquidity constraints and cash flow pressure. The Company may therefore be unable to meet its financial obligations as they fall due.

In the circumstances, the going concern status of the Company is in doubt.

#### Management Response

While the issue of going concern has not been fully resolved, Management has made significant progress in strengthening the financial sustainability of Nyahururu Water and Sanitation Company. Key achievements include;

1. Turnaround to Profitability – The Company recorded a profit of Kshs. 1,813,587 for the year ended 30 June 2025, compared to a loss of Kshs. 40,392,742 in the prior year, reflecting improved financial performance.
2. Cost Control Measures – Through rigorous expense management, total expenses declined from Kshs. 294,869,484 to Kshs. 269,205,650, demonstrating enhanced operational efficiency.
3. Improved O&M Cost Coverage – Operating and maintenance cost coverage rose to 104% from 99% reported in the year 2023/2024, indicating that operational revenues are now sufficient to meet core operating costs.
4. Revenue Growth – Total income increased from Kshs. 254,476,742 to Kshs. 271,019,237, driven by improved collection efficiency, tariff adjustments, and the development of new revenue streams.
5. Strengthened Liquidity Position – The current ratio improved from 0.46 to 0.74, highlighting stronger working capital management and improved liquidity.

Looking forward, the full-year implementation of the new tariff is expected to further strengthen the Company's revenue base, enabling improved settlement of current liabilities, enhancement of current assets, and ultimately resolving the going concern challenge in the Financial Year 2025/2026.

### **Committee Observation**

The Committee observed the statement of financial position as at 30 June 2025 reflects current assets of Kshs. 154,586,296 and current liabilities of Kshs. 209,124,692, resulting in a negative working capital of Kshs. 54,538,396.

### **Committee Recommendation**

**The Committee recommends that-**

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

### **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts for the year ended 30 June 2025 reflects final receipts budget and actual amounts on comparable basis of Kshs. 435,884,724 and Kshs. 335,291,116 respectively, resulting in revenue under-realization of Kshs. 100,593,608 or 23% of the budget. Similarly, the Company spent an amount of Kshs. 315,784,869 against actual receipts of Kshs. 335,291,116, resulting in an under-expenditure of Kshs. 19,506,247 or 6% of the actual receipts. The shortfall in

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

My Opinion is not modified in respect of this matter.

### **Management Response**

The revenue shortfall of Kshs. 100,593,608 was mainly due to the late implementation of the new water tariff from April 2025 and the partial realization of the Water Sector Trust Fund grant, where only Kshs. 45 million was received against a budgeted Kshs. 90 million. This constrained expenditure, resulting in an under-expenditure of Kshs. 19,506,247. Management is strengthening revenue forecasting based on approved tariffs and historical trends, aligning budget assumptions with the timing of tariff implementation and grant disbursements, enhancing engagement with funding partners, and conducting regular budget reviews to ensure more realistic and balanced budgets in future financial years.

### **Committee Observation**

- a) The Committee observed that actual receipts of Kshs. 335,291,116 fell short of the final revenue budget of Kshs. 435,884,724 by Kshs. 100,593,608 (23%).
- b) with budget projections not adequately calibrated against tariff implementation timing and confirmed grant disbursement schedules; actual expenditure of Kshs. 315,784,869 resulted in under-expenditure of Kshs. 19,506,247 (6%) against actual receipts.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer adopts a realistic, evidence-based budget preparation methodology that aligns revenue projections with confirmed tariff approval timelines, historical collection rates, and verifiable grant disbursement commitments; and
- ii. the Governor ensures quarterly budget performance reviews are conducted by the Board and submitted to the County Treasury and the Auditor-General in accordance with Section 168(3) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of Section 199 of the Act on penalties for offences shall apply.

### **OTHER MATTER**

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

In the Auditor-General's report for the previous year, various issues were raised under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in Use of Public Resources, and the Report on 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:

No.	Audit Issue	Management Response / Status
1.	Material Uncertainty Related to Going Concern	Partially addressed. Company returned to profitability (Kshs. 1,813,587) but negative working capital of Kshs. 54,538,396 persists. New tariff implementation expected to resolve by FY 2025/2026.
2.	Unrecognized Property, Plant and Equipment	GIS implemented for all company assets. Asset valuation budgeted for FY 2025/2026. Transfer of 4 motor vehicles in progress.
3.	Trade and Other Receivables	Debt Management Policy approved November 2025. Debt collection team established. Kshs. 2,970,000 recovered to date.
4.	Inaccuracy of Customer Deposits Account	Customer deposits balance improved to Kshs. 16,651,367. County Government transferred Kshs. 14,000,000 book balance. Monthly standing orders of Kshs. 450,000 in place.
5.	Budgetary Control and Performance	Revenue under-realization of Kshs. 100,593,608 (23%). Attributed to late tariff implementation and partial WSTF grant receipt. Revenue forecasting being strengthened. Unresolved.
6.	Excess Non-Revenue Water	NRW reduced from 39% to 36.76% through CLSG II pipeline replacement (32.4 km). Still above WASREB 25% benchmark. Ongoing.
7.	Non-Remittance of Conservancy Revenue Collected	Monthly remittances increased from Kshs. 200,000 to Kshs. 675,000. Outstanding arrears of Kshs. 3,761,488 remain. Ongoing.
8.	Payables Not Taken as First Charge	Structured payment plans and daily standing orders in place. Aged payables reduced from Kshs. 55,626,422 to Kshs. 23,145,853. Ongoing.
9.	Audit Fee Arrears	Outstanding fees increased from Kshs. 2,960,000 to Kshs. 3,540,000. Structured payment plan in place. Unresolved.
10.	Non-Remission of LAPFUND Contributions	Outstanding arrears increased from Kshs. 17,008,375 to Kshs. 24,137,974. Daily standing orders of Kshs. 30,000 in place. Unresolved.

No.	Audit Issue	Management Response / Status
11.	Over-Representation of One Ethnic Community	90% of 101 staff from dominant ethnic community. Media advertisements placed. No measurable reduction yet. Unresolved.
12.	Non-Compliance with the One-Third of Basic Salary Rule	11 employees affected by new statutory deductions (SHIF, NSSF, Housing Levy). Bank loan renegotiations initiated. Unresolved.
13.	Non-Adherence to Gender Rule	76% male staff (77 of 101). Deliberate recruitment efforts underway. No binding targets set. Unresolved.
14.	Exceeding Industrial Sector Benchmark on Personnel Costs	Staff costs at 55% against WASREB 35% threshold. Staff rationalization and technology adoption underway. Unresolved.

### **Management Response**

Management has noted the Auditor-General's observations on the unresolved prior year audit matters. All the issues listed above, except Issue No. 4.0 on Inaccuracy of Customer Deposits Account, have been independently addressed and explained in this report under the section on progress made towards closure of prior year audit matters. To address the outstanding issues, Management developed a comprehensive action plan which was discussed and approved by the Board of Directors for implementation, as evidenced by the minutes extract attached. (See Annex 4 – Extract of Board of Directors' Minutes on Plans to Resolve Prior Year Audit Matters)

### **Committee Observation**

The Committee observed that 10 of 14 prior year audit matters remained unresolved or only partially addressed, including LAPFUND non-remittance, audit fee arrears, ethnic composition non-compliance, gender rule breach, and staff cost benchmark exceedance persisting across multiple audit cycles; while Management provided action plans approved by the Board and demonstrated incremental progress, the pace of resolution was insufficient relative to the gravity and duration of the outstanding issues.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Accounting Officer resolves any issues resulting from an audit that remain outstanding as required by Section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of Section 199 of the Act on penalties for offences shall apply; and**

- ii. **the Governor ensures that the Accounting Officer submits the status report on the mitigation measures taken to resolve prior year matters to the Senate and a copy to the Auditor-General within 60 days of the adoption of this report.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

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

### **1. Non-Revenue Water**

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflect operating revenue of Kshs. 267,447,108, which includes revenue from the sale of water of Kshs. 184,825,099. The Company produced a total of 2,951,680 cubic metres (m<sup>3</sup>) of water. However, only 1,866,541m<sup>3</sup>, translating to Kshs. 184,825,099, was billed to customers. The balance of 1,085,139m<sup>3</sup>, or approximately 36.76% of the total volume produced, represented Non-Revenue Water (NRW), which is above the allowable NRW loss of 25% as provided by Schedule E of the Water Services Regulatory Board (WASREB) guidelines. The Company exceeded the allowable NRW loss of 25% by 11.79% or 347,219m<sup>3</sup> of water, resulting in a possible loss in water sales estimated at Kshs. 34,836,925 (at an average price/m<sup>3</sup> of Kshs. 100.33) which if not addressed will negatively impact on the Company's profitability and its long-term sustainability.

In the circumstances, Management was in breach of the WASREB guidelines.

### **Management Response**

The reported Non-Revenue Water (NRW) level of 36.76% represents a reduction from 39%, indicating a gradual improvement in efforts to reduce NRW. To further address this challenge, Management, through the Board of Directors and with assistance from the Laikipia County Government through the Water Sector Trust Fund, has taken the following steps to address the NRW issue—

1. Management has successfully implemented the Conditional Liquidity Support Grant II (CLSG II) project, which involved replacing the aging pipeline network at the Nyahururu Water Supply Scheme. Pipelines ranging from OD 32 mm (1 inch) to OD 160 mm (6 inches) were installed, covering a total of 32.4 km: 18.3 km in Garden Estate, Upper Coresite, and Lower Coresite, and 14.1 km in Agostino, Juakali, Starehe, and Moi Estate. This intervention has resulted in a significant reduction in NRW levels, which now stand at 25% for the Nyahururu scheme.
2. The CLSG II project has successfully implemented a Geographic Information System (GIS). The GIS enables real-time detection of leakages and provides

accurate coordinates of all water meters, making it easier to service faulty meters that lead to commercial losses.

3. The Board of Directors has prioritized addressing the NRW issue and has operationalized the monitoring of NRW levels through the Board's Technical Committee.
4. The Company has installed butterfly valves through assistance from the Japan International Cooperation Agency (JICA), which has helped regulate water pressure and reduce pipe bursts, thereby minimizing water losses.
5. The Company has also initiated internally funded pipe replacement projects, carried out in phases across all schemes, aimed at replacing old and dilapidated pipelines.
6. The Company has started replacing unserviceable meters in a bid to reduce commercial non-revenue water. (See Annex 8 – Supply of Water Meters Invoice from Smart Cloud)
7. Calibration of meters for improved accuracy in the measurement of system input.
8. The Company has adopted the use of Smart Technology in meter reading to minimize commercial losses.
9. Management has activated benchmarking with other water utilities to exchange ideas in NRW reduction. (See Annex 9 – Photos of Benchmarking Trip to Nyeri Water)

#### **Committee Observation**

The Committee observed that NRW of 36.76% remained significantly above the WASREB benchmark of 25%.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the Board and Accounting Officer put in place comprehensive measures to reduce Non-Revenue Water to below the 25% WASREB benchmark. The measures should include: replacement of old and dilapidated infrastructure; installation of smart meters for accurate billing; application of GIS to receive real-time data for the detection of bursts and leakages; and development of institutional anti-corruption policies with robust enforcement mechanisms to curb illegal connections. The Auditor-General to review the implementation of the measures put in place and provide a status update on the matter in the subsequent audit cycle;**
- ii. **the Governor ensures that the Accounting Officer segregates NRW into physical and commercial components so that the Company can identify specific mitigating measures to effectively reduce each category of NRW, and disclose the proportional breakdown as percentages in their periodic reports; and**

- iii. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits a time-bound NRW Reduction Road Map with annual targets to the Senate and the Auditor-General; and
- iv. the County Government collaborates with the Ethics and Anti-Corruption Commission (EACC) to ensure pre-emptive measures are put in place to reduce cases of theft and illegal connections contributing to Non-Revenue Water.

## **2. Compensation to Employees**

### **2.1 Staff Costs Exceeding Industrial Sector Benchmark**

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflect staff costs of Kshs. 148,020,107. The staff costs represented about 55% of the total operating expenditure of Kshs. 269,205,650. This was contrary to Section 3.9(10) of the WASREB Corporate Governance Guidelines 2024, providing that when fixing remuneration of the staff, the total expenditure for each financial year must not exceed the benchmarks set for the water service sector, so that personnel cost as share of operations and maintenance cost shall be contained within the parameters of: (a) Very large companies <30%; (b) Large <35%; (c) Medium companies <40%; and (d) Small companies <50%.

The WASREB Impact Assessment Report No. 16-2024 on Performance Report of Kenya's Water Service Sector 2022/2023 ranked the Company as large, and therefore its personnel expenditures as a percentage of total operations and maintenance expenditure must not exceed the 35% threshold.

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

### **Management Response**

To progressively align with the recommended threshold, the Company has put in place the following measures;-

1. Cost Centre Structure – Operational units have been designated as cost centres to enhance monitoring, accountability, and efficient allocation of personnel-related expenses while promoting optimal staff utilization. (See Appendix 10 – List of Cost Centres)
2. Staff Rationalization – A review of staffing levels is ongoing to retain only essential positions. Contract staff whose terms ended in September 2024 were not renewed, and recruitment will remain on hold unless absolutely necessary.
3. Technology Adoption – The Company is implementing digital solutions such as smartphone-based meter reading, billing automation, and integrated management systems to reduce dependence on manual labour and improve efficiency.
4. Revenue Growth Measures – Alongside cost control, initiatives are underway to strengthen revenue collection through stricter debt recovery, enhanced customer

engagement, and the introduction of a revised tariff to provide sustainable resources for managing wage obligations.

#### **Committee Observation**

The Committee observed that staff costs of Kshs. 148,020,107 represented 55% of total O&M expenditure of Kshs. 269,205,650, significantly exceeding the WASREB-prescribed 35% threshold for large water companies.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Board and Accounting Officer develop and submit to the Senate, within 60 days of adoption of this report, a clear and time-bound staff cost reduction plan with annual targets towards achieving the WASREB 35% benchmark by Financial Year 2027/2028; and**
- ii. the Accounting Officer submits annual compliance reports to the Auditor-General and the Senate on progress toward the staff cost benchmark. The Auditor-General keeps the matter in view in the subsequent audit cycle.**

#### **2.2 Non-Compliance with the Law on Staff Ethnic Composition**

As previously reported, review of human resource records revealed that during the year under review the Company had one hundred and one (101) staff, out of whom ninety-one (91), or 90%, were from the dominant ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, 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.

#### **Management Response**

To address the issue of Ethnic Composition, the following corrective measures are being implemented—

1. Promoting Ethnic Diversity in Recruitment – The Company is dedicated to enhancing diversity in upcoming recruitments, especially for managerial and technical roles, in compliance with Section 7(2) of the National Cohesion and Integration Act, 2008. Recruitment efforts will focus on equitable representation to ensure that no single ethnic community surpasses the one-third threshold.

2. Gradual Implementation – While acknowledging the current imbalance, Management has taken progressive steps to align staffing structures with legal requirements, without compromising operational efficiency. This has been done through media advertisement for the vacant positions in order to attract applicants from all over Kenya. (See Appendix 11 – Sample Media Advert for Vacant Position)

#### **Committee Observation**

The Committee observed that 91 out of 101 staff (90%) were from the dominant ethnic community, a severe and persistent breach of the one-third limit under Section 7(2) of the National Cohesion and Integration Act, 2008.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the Board and Accounting Officer develop a binding ethnic diversity recruitment policy committing to progressively reducing the dominant community's representation to comply with Section 7(2) of the National Cohesion and Integration Act, 2008, and submit the policy to the Senate and the National Cohesion and Integration Commission within 60 days of adoption of this report; and**
- ii. **the Governor ensures that all future recruitments include ethnic diversity requirements as a mandatory criterion in all shortlisting, selection, and appointment processes, and that the National Cohesion and Integration Commission is notified and involved in monitoring compliance. The Auditor-General to keep the matter in view in the subsequent audit cycle.**

### **2.3 Non-Adherence to Gender Rule**

During the year under review, the Company had one hundred and one (101) employees, out of whom seventy-seven (77), or 76%, were male and twenty-four (24), or 24%, were female. This is contrary to Article 27(8) of the Constitution of Kenya, 2010, which states that in addition to the measures contemplated in clause (6), the State shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

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

### **Management Response**

Management has taken the following corrective actions to address the issue of gender disparity in line with the Constitution of Kenya, 2010, and the Employment Act—

1. **Encouraging Female Participation in Technical Roles – The Company is making deliberate efforts to attract more women to apply for technical and management positions, which have traditionally been male-dominated, with the aim of promoting balanced gender representation across all departments.**
2. **Gender-Sensitive Recruitment Practices – Recruitment and selection processes are being strengthened to ensure fairness, inclusivity, and equal opportunity, with particular emphasis on supporting female candidates in leadership and technical roles.**
3. **Progressive Enhancement – The Company is progressively working towards achieving greater gender balance through planned recruitment, mentorship, and succession planning initiatives.**

The Company remains committed to creating an inclusive and equitable workplace that reflects national values of equality and non-discrimination.

### **Committee Observation**

The Committee observed that 77 of 101 employees (76%) were male as at the year under review, in material breach of the two-thirds gender rule under Article 27(8) of the Constitution of Kenya, 2010.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the Board and Accounting Officer develop and implement, within 90 days of adoption of this report, a gender mainstreaming plan with measurable annual targets to achieve compliance with Article 27(8) of the Constitution of Kenya by Financial Year 2027/2028. The plan shall be submitted to the Senate and the relevant constitutional commissions; and**
- ii. **the Governor ensures that all future recruitment exercises include mandatory gender balance considerations, and that no recruitment exercise shall be concluded without documented gender compliance analysis. The Auditor-General to provide a status update on the matter in the subsequent audit cycle.**

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

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflects staff costs of Kshs. 148,020,107. However, review of the payroll for the month of June 2025 revealed that the Company had eleven (11) employees earning below a third of their basic salaries. This is contrary to Section 19(3) of the Employment Act No. 11, 2007, which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

#### **Management Response**

The Management noted the observation regarding non-compliance with the one-third rule under Section 19(3) of the Employment Act No. 11 of 2007, where some employees' net pay fell below one-third of their basic salary.

This situation was mainly attributed to unforeseen statutory deductions introduced during the review period, coupled with employees' existing commitments to bank loans. Key deductions affecting compliance included House Levy, NSSF Contributions and SHIF (*See Appendix 12 – Sample Payslip showing how SHIF, Housing Levy and NSSF affected the 1/3 Rule*)

Corrective measures being implemented include;

1. Engagement with Commercial Banks – Management is in discussion with commercial banks to renegotiate and adjust loan repayment terms for affected

employees, ensuring that deductions remain within the allowable limits set by law.

2. **Enhanced Monitoring and Compliance** – A monitoring mechanism will be put in place to safeguard adherence to the one-third rule and to prevent recurrence of similar non-compliance issues in future.

These actions are aimed at aligning with statutory requirements while also safeguarding employees from undue financial strain caused by excessive deductions.

#### **Committee Observation**

The Committee observed that 11 employees earned below one-third of their basic salaries due to statutory deductions (SHIF, Housing Levy, and NSSF) combined with existing bank loan commitments, in breach of Section 19(3) of the Employment Act, 2007.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer implements, within 30 days of adoption of this report, a payroll compliance monitoring system that automatically flags any employee whose net pay falls below one-third of their basic salary, and submits evidence of implementation to the Senate and the Auditor-General; and**
- ii. **the Governor ensures the Accounting Officer completes the renegotiation of loan terms for all eleven (11) affected employees within 60 days of adoption of this report and submits a compliance report to the Senate. The Auditor-General to keep the matter in view and provide a status update in the subsequent audit cycle.**

#### **3. Non-Remittance of Conservancy Revenue Collected**

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual receipt of Kshs. 8,264,100 and Kshs. 8,275,250 respectively from conservancy, representing the revenue collected by the Company for garbage collection on behalf of the County Government of Laikipia. Section 8.9 of the Agreement for Conservancy Revenue Collection entered into between the Company and the defunct Municipal Council of Nyahururu on 19 September 2003 provided that the Water Company was to retain 2.5% of the revenue collected and remit the balance to the County Government of Laikipia. However, the Company remitted an amount of Kshs. 4,306,881, or 52% of the revenue collected, to the County Government out of the required amount of Kshs. 8,068,369, or 97.5% of the revenue collected, resulting in unremitted conservancy revenue of Kshs. 3,761,488. Further, the Company spent the conservancy revenue without the authority from the County Government.

In addition, the Agreement for Conservancy Revenue Collection entered into between the Company and the defunct Municipal Council of Nyahururu on garbage collection for a fee and the continued collection of the revenue by the Company conflicts with the

mandate of Laikipia County Revenue Board which is mandated by law to collect and account for all revenues for the County Government of Laikipia.

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

### **Management Response**

The shortfall in remittance of conservancy revenue arose from cash flow challenges occasioned by a non-performing tariff, which constrained the Company financially. This matter is actively being addressed, and the Company has commenced repayments to clear the outstanding balance. Notably, monthly remittances have been upscaled from Kshs. 200,000 to Kshs. 675,000.

With regard to the collection of conservancy revenue, the arrangement was adopted due to logistical challenges that made collection more efficient, cost-effective, and reliable when carried out through NYAHUWASCO. This has enabled the County Government to realize its revenue obligations more effectively and ensure better service delivery to the people of Laikipia.

(See Annex 13 – Letter from the County Upscaling Payable Amount to Kshs. 675,000 per month)

### **Committee Observation**

The Committee observed that the Company remitted only Kshs. 4,306,881 (52%) of the Kshs. 8,275,250 conservancy revenue collected, against the required 97.5% (Kshs. 8,068,369), leaving Kshs. 3,761,488 unremitted and spent without County Government authority.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer submits to the Senate and the Auditor-General, within 60 days of adoption of this report, a structured repayment plan and schedule for clearing the outstanding conservancy revenue arrears of Kshs. 3,761,488 within Financial Year 2025/2026;**
- ii. the Governor ensures that the County Government of Laikipia undertakes a formal legal review of the conservancy revenue collection arrangement within 90 days of adoption of this report, including its compatibility with the mandate of the Laikipia County Revenue Board, and submits findings to the Senate; and**
- iii. the Governor ensures that all conservancy revenue collected by NYAHUWASCO going forward is remitted to the County Government in full and within the timelines stipulated in the governing agreement, without any unauthorized utilization.**

#### **4. Avoidable Expenditure on Court-Awarded Compensation**

Audit review revealed that the water company incurred expenditure amounting to Kshs. 2,233,471 in the year under review in respect of court-awarded compensation following the termination of an employee's contract. The court determined that the termination

was unfair and unlawful contrary to the provisions of Sections 41, 49, and 50 of the Employment Act, 2007, which require employers to follow due process and provide procedural fairness before effecting termination. As a result, the court ruled against the Company and ordered the payment of compensatory damages, leading to avoidable or nugatory expenditure that could have been prevented had the Company complied with the established employment laws and fair administrative procedures.

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

#### **Management Response**

The Management noted the audit observation. While the matter arose from an employment dispute, the Company respected and complied with the court's ruling. Going forward, Management has strengthened HR processes in line with the Employment Act, 2007.

#### **Committee Observation**

The Committee observed that the Company incurred Kshs. 2,233,471 in court-awarded compensation following an employee termination found to be unfair and unlawful under Sections 41, 49, and 50 of the Employment Act, 2007.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor takes appropriate administrative action on the officers responsible for the unlawful termination of employment that led to the court-awarded compensation of Kshs. 2,233,471, and submits a report of the action taken to the Senate within 60 days of adoption of this report; and**
- ii. the Governor ensures the Board mandates the Human Resource department to conduct a comprehensive review and update of the Company's HR policies and disciplinary procedures within 90 days of adoption of this report, ensuring full alignment with the Employment Act, 2007, and submits evidence of the completed review to the Senate and the Auditor-General.**

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

The statement of financial position and Note 43 to the financial statements reflect trade and other payables balance of Kshs. 158,186,411, which includes an amount of Kshs. 24,137,974 in respect of unremitted Local Authorities Provident Fund (LAPFUND) contributions. This was an increase in non-remittance by Kshs. 7,129,599 from Kshs. 17,008,375 reported in the previous financial year. No explanation was given for the non-remission of the deductions when they fell due and why the continued deduction from the employees' payroll. This was contrary to Section 14(4) of the LAPFUND Act that requires employers to credit contributions to members' accounts annually and the failure to remit contributions by employers is unlawful with legal consequences.

Further, the balance includes a balance of Kshs. 3,540,000 in respect of outstanding audit fees payable to the Office of the Auditor-General, up from Kshs. 2,960,000 from the previous financial year. In addition, other payables which have been outstanding for more than three years amounted to Kshs. 7,909,321.

In the circumstances, Management was in breach of the law and effectiveness in the management of trade and other payables could not be confirmed.

### **Management Response**

Management noted the audit observation on long-outstanding trade and other payables and the delayed remittance of statutory deductions. The delay in settling trade and other payables was largely occasioned by non-performing tariffs, which constrained cash flows and adversely affected the Authority's ability to meet its obligations as and when they fell due. Management wishes to inform the Committee that the tariffs have since been reviewed, approved, and implemented, and the improved revenue performance has enabled the Authority to commence systematic settlement of the outstanding payables. In order to address the audit concern and enhance compliance with applicable laws and regulations, Management has instituted the following corrective and remedial measures;-

1. Settlement of Statutory Deductions (LAPFUND, CPF and NSSF): Management has put in place a daily standing order of Kshs. 30,000, translating to an average monthly payment in excess of Kshs. 600,000, dedicated to the clearance of outstanding statutory deductions relating to LAPFUND, CPF and NSSF. (See Annex 14 – Daily Standing Orders for Remittance of LAPFUND, CPF and NSSF Contributions)
2. Reduction of Long-Outstanding Payables (Over Three Years): Management has commenced settlement of payables outstanding for more than three years and has so far paid a total of Kshs. 32,480,569 towards the reduction of these aged balances from Kshs. 55,626,422 (as at 1st July 2024) to Kshs. 23,145,853 (as at 16th January 2026). (See Annex 15 – Payables Ageing List as at 1st July 2024 and as at 16th January 2026, indicating reduction in balances)
3. Structured Settlement of Major Supplier Balances: Management has implemented monthly standing orders to facilitate structured settlement of suppliers with significant outstanding balances. These include: (a) Panafrica Chemicals – Kshs. 440,735.47; (b) Kel Chemicals – Kshs. 500,000 per month; and (c) Tiles & Carpets – Kshs. 500,000 per month. (See Annex 16 – Sample Payment Standing Orders Effected)
4. Audit Fees and Other Payables: Management has committed to fully clear the outstanding audit fees payable to the Office of the Auditor-General. Structured payment plans have been put in place to facilitate settlement of the audit fees as well as other outstanding payables in a sustainable manner, aligned with the Authority's cash flow projections. (See Annex 17 – Sample Payment Plans to OAG)

### **Committee Observation**

- a) The Committee observed that unremitted LAPFUND contributions increased from Kshs. 17,008,375 to Kshs. 24,137,974 (an increase of Kshs. 7,129,599), in persistent breach of Section 14(4) of the LAPFUND Act.
- b) Outstanding audit fees grew from Kshs. 2,960,000 to Kshs. 3,540,000 despite prior audit recommendations; and other payables outstanding for more than three years stood at Kshs. 7,909,321, though aged payables were reduced from Kshs. 55,626,422 to Kshs. 23,145,853 through payments of Kshs. 32,480,569.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer submits to the Senate and the Auditor-General, within 60 days of adoption of this report, a comprehensive creditors' schedule and a time-bound repayment plan for all long-outstanding payables, including LAPFUND arrears and audit fees;**
- ii. **the Governor ensures that LAPFUND contributions are remitted in full and on time going forward, and that the outstanding arrears of Kshs. 24,137,974 are cleared within Financial Year 2025/2026 in line with Section 14(4) of the LAPFUND Act, failure to which the provisions of the Act on penalties shall apply; and**
- iii. **the Governor ensures the outstanding audit fees of Kshs. 3,540,000 are fully settled within 90 days of adoption of this report, and submits evidence of payment to the Senate and the Auditor-General. Failure to comply shall necessitate the invocation of Section 62 of the Public Audit Act, Cap. 412B by the Committee.**

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

Pursuant to Section 7(1)(a) of the Public Audit Act, 2015, based on audit procedures performed by the Auditor-General, the following matter formed the basis for conclusion that internal controls, risk management and overall governance were not effective—

### **3.1 Long Outstanding Trade and Other Receivables**

The statement of financial position and Note 29 to the financial statements reflect trade and other receivables balance of Kshs. 75,413,223, which includes a balance of Kshs. 34,562,686 or 45.8% in respect of customer debts outstanding for more than one hundred and twenty (120) days as indicated in the ageing analysis. However, review of the Company's revised Debt Management Policy, 2025 revealed that it does not specify the allowable credit period, and therefore it was not possible to determine whether the

debts outstanding beyond one hundred and twenty (120) days were within the acceptable credit period. Further, Management did not provide evidence of the outcomes of recovery efforts or documentation demonstrating the effectiveness of the debt follow-up mechanisms in place.

In the circumstances, the existence of effective measures in management of receivables could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management, and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Management Response**

The management provided evidence on follow-up mechanisms and efforts initiated towards the recovery of outstanding debtors, particularly trade and other receivables with a significant portion of customer debts exceeding 120 days.

To address this challenge, the Company has revised and updated its Debt Management Policy (2025), which now clearly stipulates that the allowable credit period is 14 days upon receipt of the bill. This revision provides a well-defined framework for managing receivables and enforcing timely collections. (See Annex 18(a) – Extract of Credit Policy)

In addition, Management has taken the following practical steps to strengthen debt recovery efforts—

1. **Formation of a Debt Collection Team:** An internal team has been established with a clear mandate to pursue outstanding debts through structured strategies such as reminders, negotiated payment plans, and, where necessary, escalation to legal recovery. (See Annex 18(b) – Appointment Letters for Debt Collection Unit)
2. **Legal Follow-Up:** The Company's lawyer has been actively engaged in debt recovery. Demand letters have already been issued to customers with long-outstanding debts, and management continues to liaise with the lawyer to ensure timely enforcement. (See Annex 19 – Demand Letters Issued by Company Advocates to Customers with Long-Standing Debts)
3. **Enhanced Monitoring and Reporting:** Monthly receivables ageing reports are now being prepared and reviewed at both board and senior management levels to foster accountability and ensure prompt follow-up on overdue accounts.
4. **Customer Engagement:** The Company has intensified direct interactions with customers through field visits, SMS notifications, and digital platforms to encourage arrears settlement and minimize recurrence of long-outstanding debts. (See Attached Annex 20 – Reminder Text Messages to Customers)

In regard to the evidence of the outcomes of recovery efforts, the Company has collected a total of Kshs. 2,970,000 through the debt collection team, demonstrating effectiveness of the efforts Management has put in place to recover old debts owed to the Company by clients. (See Annex 21 – Detailed Analysis of Amount Collected through Debt Collection Team)

#### **Committee Observation**

- a) The Committee observed that trade and other receivables of Kshs. 75,413,223 included Kshs. 34,562,686 (45.8%) outstanding beyond 120 days.
- b) The Debt Management Policy in force during the year under review did not specify the allowable credit period, thus the debt collection team recovered Kshs. 2,970,000, which remained modest relative to the Kshs. 34,562,686 in long-outstanding balances.

#### **Committee Recommendation**

**The Committee recommends that-**

- i. **the Governor through the Accounting Officer should ensure that the water company undertakes debtor's circularization to confirm the authenticity of the receivables and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report;**
- ii. **the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-General for review and verification and update the Committee in the subsequent audit cycle;**
- iii. **the Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;**
- iv. **the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update the Committee on the matter in the subsequent audit cycle; and**
- v. **the Governor ensures the Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.**

## **1.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NANYUKI WATER AND SANITATION COMPANY FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on 27<sup>th</sup> January to respond (under oath) to audit queries raised in the report of the Auditor-General on the financial statements of Nanyuki Water and Sanitation Company for the Financial Year 2024/2025. The Governor was accompanied by the following officers;

1. Mr. Samuel Wachira Gachigi – CECM, Finance, County Planning and Development, Laikipia County
2. Eng. Kennedy Gitonga – Managing Director, Nanyuki Water and Sanitation Company (NAWASCO)
3. Mr. Njenga Kahiho – CECM, Water, Environment and Natural Resources and Climate Change, Laikipia County

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Nanyuki Water and Sanitation Company on the following basis;

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

The statement of financial position and Note 29 to the financial statements reflect trade and other receivables net balance of Kshs.201,032,528 as at 30th June 2025. Review of the ageing analysis revealed that trade receivables totalling Kshs.38,174,420, or 19% of total receivables, had been outstanding for a period of over one year. Management had not taken adequate measures to recover the long-outstanding debts including offering payment incentives, implementing structured follow-up, initiating legal recovery proceedings, or engaging a licensed debt collector as provided for in the Company's debt management policy. In the circumstances, the accuracy and recoverability of receivables totalling Kshs.38,174,420 could not be confirmed.

#### **Management Response**

The long-outstanding balance largely comprises receivables from institutional and government-related customers, notably the Department of Defense (62.71%), Commercial customers (13.35%), and Domestic/Residential customers (23.38%), with minimal balances from public schools and water kiosks. The Department of Defense category reflects bulk institutional consumption with delays linked to governmental settlement processes, while domestic arrears arise mainly from household customers accumulating unpaid bills across billing cycles. To address this, management has intensified revenue collection efforts through: introduction of structured repayment plans and follow-ups for bulk consumers; customer clinics and outreach programmes to educate consumers on the Lipa Mdogo Mdogo initiative; automated SMS reminders

and physical disconnection follow-ups for overdue domestic accounts; and water disconnection as a last resort.

<b>Customer Category</b>	<b>Amount (Kshs.)</b>	<b>% Contribution</b>
Commercial	5,096,744.43	13.35%
Department of Defense (DOD)	23,940,534.00	62.71%
Domestic/Residential	8,924,345.07	23.38%
Public Schools	207,841.50	0.54%
Water Kiosks	4,955.00	0.01%
<b>Total</b>	<b>38,174,420.00</b>	<b>100.00%</b>

#### **Committee Observation**

The Committee observed that NAWASCO had trade receivables totalling Kshs.38,174,420, representing 19% of total receivables, outstanding for over one year at 30<sup>th</sup> June 2025, with the Department of Defense accounting for 62.71% of the long-outstanding balance.

#### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Managing Director, within sixty (60) days of the adoption of this report, submits a comprehensive debtors' schedule with an updated ageing analysis to the Senate and the Auditor-General for verification;
- ii. the Governor ensures the Managing Director formally engages all long-outstanding debtors, including the Department of Defense, through written demand notices and, where recovery fails, initiates legal proceedings or makes adequate provisions for bad and doubtful debts in accordance with the Company's debt management policy; and
- iii. the Auditor-General provides a status update on receivables recovery in the subsequent audit cycle; and
- iv. the Governor ensures that the Managing Director undertakes a detailed analysis of all long-outstanding trade receivables and, with the Board's approval, writes off irrecoverable debts in line with Section 130(2)(d) of the Public Finance Management (County Governments) Regulations, 2015.

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

The statement of financial position and Note 41 to the financial statements reflect trade and other payables balance of Kshs.148,854,020. However, the ageing analysis schedule reflects that payables totalling Kshs.16,177,755, or 11% of the total balance, had remained outstanding for more than three years. In addition, the total payables increased significantly by Kshs.20,542,271 from the previous year's balance of Kshs.128,311,749. Management did not provide an explanation for the accumulation of the long-outstanding debts or the continued rise in payables as obligations fell due, in breach of Section 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that debt service payments be treated as a first charge. In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.148,854,020 could not be confirmed.

### Management Response

Management attributed the delayed settlement primarily to cash flow constraints arising from delayed payments by the Department of Defense and other government institutions. Management has continued to prioritise critical supplier payments to sustain operations and has put in place a phased settlement plan for long-outstanding supplier balances based on available cash flows, with strengthened revenue recovery from major institutional customers and adherence to the annual procurement plan.

Action	Responsible Officer	Timeline	Expected Outcome
Implement phased settlement of long-outstanding supplier balances based on available cash	Finance Manager	Ongoing	Progressive reduction of aged payables
Strengthen revenue recovery from major institutional customers	Commercial Manager	Continuous	Improved cash flows to support timely supplier payments
Ensure adherence to the annual procurement plan	Procurement Manager	Quarterly	Improved budget control, compliance, and accurate supplier balances

### Committee Observation

- a) The Committee observed that NAWASCO had trade and other payables totalling Kshs.148,854,020, of which Kshs.16,177,755, representing 11% of the total balance, had been outstanding for more than three years, with total payables

increasing by Kshs.20,542,271 from the prior year balance of Kshs.128,311,749 without management explanation.

- b) The Committee further observed that the accumulation of long-outstanding payables constitutes a violation of Section 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires debt service obligations to be treated as a first charge on the entity's resources.

### **Committee Recommendation**

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

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

### **3. Inadequate Cash Coverage For Refundable Deposits**

The statement of financial position and Note 42 to the financial statements reflect refundable deposits and prepayments of Kshs.37,317,084. However, cash and bank balances as per the statement of financial position and Note 31 amounted to Kshs.20,982,201, resulting in a shortfall of Kshs.6,329,883 against the refundable deposits. Management did not provide an explanation or reconciliation to demonstrate how these refundable obligations would be met despite the inadequate cash cover. In the circumstances, the accuracy, completeness, and validity of the refundable deposits and prepayments totalling Kshs.37,317,084 could not be confirmed.

#### **Management Response**

The total refundable deposits of Kshs.37,317,084 represent customer water connection deposits for both active and inactive accounts, refundable only upon termination of water services and upon full settlement of any outstanding customer balances. During FY 2024/2025, the Company refunded customer deposits amounting to Kshs.5,231,500. In compliance with a directive from shareholders and the Office of the Auditor-General

at the last Annual General Meeting, the Company established a standing order of Kshs.19,080 per day with the National Bank, subsequently reviewed and increased to Kshs.27,037 per day effective 30th September 2025. As at 16th January 2026, the Escrow Account had accumulated a balance of Kshs.9,752,432.80.

<b>Month-Year</b>	<b>Refunded (Kshs.)</b>	<b>Deposit</b>
July-2024	456,000	
August-2024	506,500	
September-2024	232,500	
October-2024	489,000	
November-2024	408,500	
December-2024	327,500	
January-2025	302,000	
February-2025	543,500	
March-2025	715,500	
April-2025	242,000	
May-2025	473,500	
June-2025	535,000	
<b>Grand Total</b>	<b>5,231,500</b>	

#### **Committee Observation**

The Committee observed that NAWASCO's cash and bank balances of Kshs.20,982,201 were inadequate to cover refundable customer deposits of Kshs.37,317,084, resulting in a shortfall of Kshs.16,334,883.

#### **Committee Recommendation**

**The Committee recommends that-**

- i. the Accounting Officer should, within 60 days of the adoption of this report, submit to the Senate and the Auditor-General status of implementation of**

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

#### **EMPHASIS OF MATTER**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.443,112,649 against actual amounts on a comparable basis of Kshs.385,149,427, resulting in a shortfall of Kshs.57,963,222, or 13% of the budget. Similarly, the Company spent Kshs.341,430,761 against the actual receipts of Kshs.385,149,427, resulting in under-absorption of Kshs.43,718,666, or 11% of the actual receipts. The revenue shortfall and under-absorption may have adversely affected the implementation of the Company's planned activities and the delivery of essential services to the public.

##### **Management Response**

Management attributed the 13% budget shortfall largely to delays in the implementation of the Nanyuki River Project, which had a capital allocation of Kshs.72,610,369. The project commenced in March 2025 following prolonged approvals from KFS, WRA, NCA, and NEMA, and remained ongoing at year-end, affecting both capital and finance cost absorption as related loan repayments were deferred to FY 2025/2026. Management further stated that the amount of Kshs.385,149,427 represents revenue billed during the year under the accrual basis, and the under-absorption arose from timing differences between billing and cash collection.

##### **Committee Observation**

- a) The Committee observed that NAWASCO's final revenue budget of Kshs.443,112,649 was not achieved, with actual receipts of Kshs.385,149,427 resulting in a shortfall of Kshs.57,963,222,
- b) The Committee further observed that expenditure absorption stood at Kshs.341,430,761 against actual receipts, leaving an under-absorption of Kshs.43,718,666.

### **Committee Recommendation**

#### **The Committee recommends that—**

- i. **the Governor ensures the Managing Director strengthens budget planning processes to improve revenue realisation and expenditure absorption, including developing a realistic annual budget supported by a cash flow forecast that accounts for timing differences between billing and collection, and for known delays in regulatory approvals for capital projects;**
- ii. **the Governor ensures the Accounting Officer complies with Regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- iii. **the Auditor-General reviews budget performance in the subsequent audit cycle and provides a status update to the Senate.**

### **OTHER 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 the audit of Nanyuki Water and Sanitation Company for FY 2024/2025 revealed that the following matters remained unresolved: unsupported customer deposits; budgetary control and performance; non-revenue water; non-compliance with fiscal responsibility principles on wage-bill; non-adherence to ethnic balance requirement; non-remittance of pension deductions; long outstanding trade and other receivables; and long outstanding trade and other payables.

#### **Management Response**

Management stated that it has proactively responded to the issues raised by the Office of the Auditor-General. However, all eight prior year matters remained unresolved as at the time of the FY 2024/2025 audit, with management's own status table indicating expected resolution timelines ranging between June 2026 and June 2027.

Issue / Observation	Management Comments	Status	Timeframe
Unaccounted Customer Deposits	Refer to Management Response in 2.3	Not Resolved	June 2027
Budgetary Control and Performance	Refer to Management Response in 2.4	Not Resolved	June 2026
Non-Remittance of Pension Deductions	Refer to Management Response in 2.8	Not Resolved	June 2027
Excess Non-Revenue Water	Refer to Management Response in 2.6	Not Resolved	June 2026
Non-compliance with fiscal responsibility principles on wage bill	Refer to Management Response in 2.7	Not Resolved	June 2027
Staff ethnicity diversity requirements	Refer to Management Response in 2.9	Not Resolved	June 2027
Long Outstanding Trade and other Receivables	Refer to Management Response in 2.1	Not Resolved	June 2027
Long Outstanding Trade and Other Payables	Refer to Management Response in 2.2	Not Resolved	June 2027

**Committee Observation**

The Committee observed that all eight prior year audit matters, namely unsupported customer deposits, non-revenue water, non-remittance of pension deductions, non-compliance with wage bill and ethnic diversity requirements, and long-outstanding trade receivables and payables, remained unresolved as at the time of the FY 2024/2025 audit, in breach of Section 149(2)(l) of the Public Finance Management Act, Cap.412A.

**Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Managing Director resolves all outstanding prior year audit matters as required by Section 149(2)(l) of the Public Finance Management Act, Cap.412A, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences may apply; and

- ii. **the Governor ensures the Managing Director submits a status report on the mitigation measures taken to resolve all prior year audit matters to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

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

### **1. Non-Revenue Water**

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflect total operating revenue of Kshs.378,880,562, of which Kshs.230,850,934 relates to water sales for the year ended 30th June 2025. Audit verification of production and billing records revealed that the Company produced 4,016,462m<sup>3</sup> of water, but only 2,976,601m<sup>3</sup> were billed to customers. The resulting difference of 1,039,861m<sup>3</sup>, representing approximately 26% of total production, constitutes Non-Revenue Water (NRW). At an average sale price of Kshs.79 per m<sup>3</sup>, the unbilled portion translates to potential lost revenue of approximately Kshs.82,149,019. The level of NRW exceeded the 25% threshold prescribed by the Service Provision Agreement (SPA) and WASREB Performance Guidelines.

### **Management Response**

NAWASCO has progressively reduced NRW from over 60% at inception to 26% in FY 2024/2025. Key contributors to water losses identified include: aged and deteriorating distribution infrastructure; under-registering and faulty customer meters; and illegal water connections and unreported leakages. Corrective measures being implemented include replacement of faulty meters, rapid response to bursts and leaks, detection and disconnection of illegal connections, pipeline rehabilitation, continuous flow monitoring and billing analysis per distribution block, and deployment of innovative monitoring tools including tank level sensors. With the ongoing Conditional Liquidity Support Grant (CLSG II) rehabilitation works covering tank repairs, upgrades, and the rehabilitation of Emmanuel, Temu, and Kilimo distribution networks nearing completion, NAWASCO projects a further reduction of NRW to approximately 25% in FY 2025/2026.

<b>Quarter</b>	<b>Water Supplied (m3)</b>	<b>Water Billed (m3)</b>	<b>Lost Volume (m3)</b>	<b>NRW %</b>
Q1	1,036,593	743,726	292,867	28%

Quarter	Water Supplied (m3)	Water Billed (m3)	Lost Volume (m3)	NRW %
Q2	1,013,049	710,295	302,754	30%
Q3	1,017,311	775,490	241,821	24%
Q4	949,509	747,090	202,419	21%
<b>FY 2024/2025</b>	<b>4,016,462</b>	<b>2,976,601</b>	<b>1,040,049</b>	<b>26%</b>

### Committee Observation

The Committee observed that NAWASCO's Non-Revenue Water (NRW) level stood at 26% for FY 2024/2025, exceeding the 25% regulatory threshold prescribed by the Water Services Regulatory Board (WASREB) Performance Guidelines and the Service Provision Agreement.

### Committee Recommendation

The committee recommends that-

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

## 2. Non-Compliance with Fiscal Responsibility Principles on Wage Bill

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflect staff costs of Kshs.165,673,657, representing 46% of total expenditure of Kshs.350,410,021. This exceeded the 35% personnel-cost benchmark prescribed under Section 3.9 of the Water Services Regulatory Board (WASREB)

Corporate Governance Standards, 2024, which requires water sector entities to ensure that personnel costs, as a share of operations and maintenance expenditure, do not exceed the nationally set benchmark. Management was in breach of the regulatory requirements.

### **Management Response**

Management attributed the non-compliance to the long years of service of employees inherited at the Company's inception. To progressively achieve the sector benchmark, the utility has implemented revenue-growth strategies including development of additional water sources, reduction of NRW, and expansion of sewer services. The utility is also prioritising internal promotions where feasible and implementing job enhancement and enrichment measures as staff retire. These interventions are expected to progressively reduce the wage-to-revenue ratio and enable the Company to attain the sector benchmark of 35% by the year 2027.

### **Committee Observation**

The Committee observed that NAWASCO's staff costs of Kshs.165,673,657 represented 46% of total expenditure of Kshs.350,410,021, exceeding the 35% personnel-cost benchmark prescribed under Section 3.9 of the WASREB Corporate Governance Standards.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Managing Director submits, within sixty (60) days of the adoption of this report, a documented wage bill reduction plan with clearly defined milestones, timelines, and revenue growth targets demonstrating a credible path to attaining the WASREB 35% personnel-cost benchmark by 2027, to the Senate and the Auditor-General for verification;**
- ii. the Governor ensures that staff costs are monitored against the WASREB benchmark in each subsequent budget cycle with quarterly reporting to the Board; and**
- iii. the Auditor-General reviews the wage bill ratio and progress against the reduction plan in the subsequent audit cycle and provides a status update to the Senate.**

### **3. Unremitted Staff Payroll Deductions**

Review of payroll records for the year under review revealed outstanding deductions recovered from permanent staff salaries amounting to Kshs.14,885,272 and Kshs.13,688,103, totalling Kshs.28,573,375 for onward remittance to the County

Pension Fund and the Provident Fund respectively. However, as at the time of audit, the Company had not remitted the deductions, in contravention of Section 19(4) of the Employment Act, Cap.226, which provides that an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be. Management was in breach of the law.

### **Management Response**

Management attributed the delay in remittance to cash flow constraints during the year, largely arising from delayed settlement of major institutional receivables, particularly government-related accounts amounting to 62.71% of total receivables. Management acknowledged the requirement under Section 19(4) of the Employment Act and confirmed that remittance of the outstanding statutory deductions has commenced, with Kshs.2,926,378 already paid. Management has further strengthened cash flow planning to ensure full settlement of the balance and timely remittance of statutory deductions going forward.

### **Committee Observation**

The Committee observed that NAWASCO had not remitted staff payroll deductions totalling Kshs.28,573,375 to the County Pension Fund (Kshs.14,885,272) and the Provident Fund (Kshs.13,688,103), with only Kshs.2,926,378 remitted at the time of audit, leaving an outstanding balance of Kshs.25,647,375 unremitted, in contravention of Section 19(4) of the Employment Act, Cap.226.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Managing Director submits, within sixty (60) days of the adoption of this report, a structured remittance schedule for the full settlement of the outstanding staff payroll deductions of Kshs.28,573,375 to the Senate and the Auditor-General for verification;**
- ii. the Governor ensures that all future payroll deductions are remitted to the respective funds within the statutory timelines in full compliance with Section 19(4) of the Employment Act, Cap.226; and**
- iii. the Auditor-General Verifies the status of remittance of staff payroll deductions in the subsequent audit cycle and provides a status update to the Senate.**

#### **4. Non-Compliance with Ethnic Diversity Requirements In Staffing**

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflect staff costs of Kshs.165,673,657. Review of employee

records as at 30th June 2025 revealed that 99 out of 134 staff members, or approximately 74%, belonged to the dominant ethnic community. This exceeded the one-third (33%) threshold prescribed under Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which prohibits any public institution from having more than one-third of its staff drawn from a single ethnic community. Management was in breach of the law.

### **Management Response**

Management stated that the Company has embraced ethnic diversity as provided by Section 7 of the National Cohesion and Integration Act, 2008, and has continuously implemented policies and practices aimed at promoting ethnic diversity, including wide advertisement of employment opportunities through the Company's website and local daily newspapers. Management noted that over successive financial years, these ongoing compliance measures have resulted in the containment of the dominant ethnic group's representation at approximately 74% throughout the period under review.

### **Committee Observation**

The Committee observed that 99 out of 134 NAWASCO staff members, representing 74%, belonged to the dominant ethnic community as at 30th June 2025, in violation of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensure that the Managing Director to develop and implement a formal ethnic diversity and inclusion policy with specific measurable targets and timelines for achieving compliance with Section 7 of the National Cohesion and Integration Act, 2008, within ninety (90) days of the adoption of this report;**
- ii. the Governor ensure that the Managing Director develop a compliance status report on ethnic diversity composition at NAWASCO is submitted to the Senate within sixty (60) days of the adoption of this report; and**
- iii. the Auditor-General reviews ethnic composition compliance in the subsequent audit cycle and provides a status update to the Senate.**

## **5. Unbalanced Budget**

The statement of comparison of budget and actual amounts reflects final revenue and expenditure budgets of Kshs.443,112,649 and Kshs.545,257,556 respectively, resulting in a budget deficit of Kshs.102,144,907. Management did not provide justification for approving a deficit budget, in violation of Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015, which requires that budgeted revenue and expenditure appropriations shall be balanced. Management was in breach of the law.

### **Management Response**

Management stated that the reported budget deficit of Kshs.102,144,907 comprised commercial financing of Kshs.72,610,369 for the Nanyuki River Project and anticipated improvement in the collection of arrears of approximately Kshs.30,000,000 from government institutions during FY 2024/2025. However, the expected arrears recovery did not materialise within the year, contributing to the apparent budget deficit. Management committed to enhancing budget presentation and disclosures to clearly distinguish between revenue and all financing items in line with Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015.

### **Committee Observation**

The Committee observed that NAWASCO approved a budget with a deficit of Kshs.102,144,907, with revenue appropriations of Kshs.443,112,649 against expenditure appropriations of Kshs.545,257,556, without Board-approved justification for the deficit, in non-compliance with Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015, which requires that budgeted revenue and expenditure appropriations be balanced.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Managing Director prepares and presents a balanced budget in compliance with Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015, and that any financing items are clearly disclosed and distinguished from revenue and expenditure appropriations in the budget documents submitted for Board approval;**
- ii. the Governor ensures the Managing Director submits the Board-approved budget for FY 2024/2025 with supporting justification for the deficit to the Senate and the Auditor-General within sixty (60) days of the adoption of this report; and**
- iii. the Auditor-General verifies compliance with budget balancing requirements in the subsequent audit cycle and provides a status update to the Senate.**

## CHAPTER TWO: MUNICIPALITIES

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

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Tuesday, 27th January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Nanyuki for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Samuel Wachira Gachigi - CECM, Finance
2. Mr. Anthony Rukwaro - Nanyuki Municipal Manager

#### REPORT ON THE FINANCIAL STATEMENTS

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

##### 1. Long-standing Trade Payables

The statement of financial position and Note 15 to the financial statements reflect trade and other payables balance of Kshs. 2,736,295. However, analysis of the ageing schedule revealed that Kshs. 1,038,380 representing 38% of the total payables, had been outstanding for more than one (1) year. This is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that debt service payments shall form the first charge on the County Revenue. In the circumstances, accuracy and completeness of the trade and other payables balance of Kshs. 2,736,295 could not be confirmed.

##### Management Response

The outstanding balance of Kshs. 1,038,380 relates to inherited pending bills from the parent Department of Lands and Urban Development, incurred during the Municipality's early formation to procure essential furniture. In recognition of Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, management has engaged the County Executive for supplementary budget support and instituted a pending bills clearance plan to ensure debt service payments are prioritized. Management is committed to clearing this balance within the current financial year while simultaneously strengthening internal systems to prevent future accumulation.

##### Committee Observation

The Committee observed that payables of Kshs. 1,038,380 had remained outstanding for a period exceeding one year, and that at the time of audit the management of the Municipality had not outlined any measures put in place to settle the long outstanding obligation.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor should ensure that the board of the municipality complies with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015; and**
- ii. the Governor ensures that the Municipal Board prepares and submits a debt repayment plan to the Auditor-General and the Senate within sixty (60) days of the adoption of this report. The plan must clearly specify timelines for the settlement of outstanding payables.**

#### **EMPHASIS OF MATTER**

##### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects receipts budget of Kshs. 119,214,879 against actual revenue of Kshs. 5,166,605 resulting in a shortfall of Kshs. 114,098,275 or 96% of the approved budget. Further, the statement reflects actual expenditure of Kshs. 5,114,003 resulting in an under-absorption of Kshs. 52,602 or 1% of the available funds. The shortfall in receipts may have adversely affected the implementation of planned activities and service delivery.

##### **Management Response**

The approved budget of Kshs. 119,214,879 for Nanyuki Municipality included an allocation of Kshs. 112,064,879 expected from the Urban Development Grant (UDG) and Urban Institutional Grant (UIG) under the Kenya Urban Support Program Phase II (KUSP II). However, these funds were not disbursed by the close of the financial year, resulting in underfunding and consequently low utilization of the approved budget.

##### **Committee Observation**

The Committee observed that there was a revenue shortfall of Kshs. 114,098,275 or 96% of the approved budget and an under-absorption of Kshs. 52,602 or 1% of the available funds, which were attributed to non-disbursement of funds from the Urban Development Grant (UDG) and Urban Institutional Grant (UIG) under the Kenya Urban Support Program Phase II (KUSP II).

##### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor submits to the Auditor-General and the Committee an update on the status of disbursement of the outstanding allocation of Kshs. 112,064,879 expected from KUSP Phase II and a utilization report within sixty (60) days of the adoption of this report; and**
- ii. **the Accounting Officer ensures that future budget estimates are realistic and aligned to confirmed funding commitments, and that the Municipality's dependence on external grants is adequately disclosed and managed.**

### **3. Reliability of Performance Information**

A review of the statement of performance against predetermined objectives revealed inconsistencies between the reported achievements and the supporting evidence provided. Major development projects including the construction of Nanyuki Main Bus Park, installation of street lighting, rehabilitation of Nanyuki Stadium and Social Hall, rehabilitation of the slaughterhouse, and upgrading of Grogon Road and drains, were included in the 2024/2025 Municipality's work plan but remained at stakeholder consultation or design stage and had not progressed to implementation by the end of the year. No performance monitoring reports, progress summaries, or evaluation documents were available to verify the physical progress or completion status of the reported projects. In the circumstances, the reported performance against predetermined objectives could not be verified.

#### **Management Response**

During the 2024/2025 financial year, the Municipality prioritized several development initiatives aimed at improving infrastructure, public safety, and community well-being. These projects were captured in the Annual Work Plan (AWP) and aligned to the Integrated Development Plan (IDeP). However, implementation of these projects was dependent on funding from the Urban Development Grant (UDG) under the Kenya Urban Support Program Phase II (KUSP II), which had not been received by the close of the financial year. As a result, most of the projects remained at the stakeholder consultation and design stages and physical execution could not commence.

#### **Committee Observation**

The Committee observed that several major development projects included in the Municipality's 2024/2025 Annual Work Plan remained at the stakeholder consultation or design stage with no evidence of physical implementation.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor should ensure that the statement of performance prepared by the Municipality Board complies with section 164(2)(f) of the Public Finance Management Act, whereby the outlined performance is aligned with predetermined objectives and supported by verifiable evidence;**

#### **4. Unresolved Prior Year Matters**

In the prior years' 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 Nanyuki Municipality in 2024/2025 revealed that the following matters remained unresolved—

- a) Errors and Inaccuracies in the Presentation of the Annual Report and Financial Statement
- b) Inaccurate Cash and Cash Equivalents Balance
- c) Plant, Property and Equipment
- d) Failure to Prepare a Trial Balance
- e) Lack of Municipality Board Annual Work Plan
- f) Irregular Convention of Special Board Meetings
- g) Failure to Make Returns to the County Executive
- h) Failure to Sign Minutes of Nanyuki Municipality Board
- i) Unbudgeted Expenditure

#### **Management Response**

Management reported that all ten (10) prior year audit matters have been addressed, with supporting evidence including Board minutes, attendance registers, Gazette notice for Board appointments, and current trial balance provided to the Committee.

#### **Committee Observation**

The Committee observed that several issues raised in the 2023/2024 audit report, ranging from financial inaccuracies to governance failures, remained officially unresolved at the time of the 2024/2025 audit review.

#### **Committee Recommendation**

**The Committee recommends that —**

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

# **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

## **1. Lack of Operational Autonomy of the Municipality**

The Nanyuki Municipality was granted a Municipal Charter in 2023 to provide operational autonomy from the County Executive of Laikipia. However, a review of its operations established that the Municipality did not exercise the required level of autonomy. The Municipality's budget continued to be prepared and controlled by the County Executive with no evidence of review or approval by the Municipal Board. Several functions formally transferred to the Municipality continued to be performed by the County Executive. The County Executive did not delegate or facilitate key responsibilities required under Section 20 of the Urban Areas and Cities Act, 2011.

### **Management Response**

The Municipal Board has initiated structured engagements with the County Executive Committee to ensure compliance with the governance framework. A roadmap has been developed to progressively transfer functions, strengthen internal administration, and embed the Board's oversight role in budget preparation and approval. Management is committed to working collaboratively with all stakeholders to secure full autonomy, enhance accountability, and ensure effective service delivery.

### **Committee Observation**

The Committee observed that the Municipality has not achieved the operational autonomy intended under its Municipal Charter granted in 2023, with the County Executive continuing to control budget preparation, collect revenues, and discharge functions formally transferred to the Municipality. While management has initiated a roadmap for progressive transfer of functions, full implementation remains pending with no definitive timelines established.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor of Laikipia County takes all necessary steps to ensure the Municipality of Nanyuki achieves full operational independence by 30th June, 2026 in accordance with sections 12, 20, 45 and 46 of the Urban Areas and Cities Act, Cap. 275;**
- ii. the Governor ensures that all functions formally transferred to the Municipality under Paragraph 2.3.1 of the Municipal Charter and Kenya Gazette Notices are operationalized without further delay, and that the County Executive ceases discharging functions that have been formally transferred to the Municipality; and**
- iii. the Governor ensures the Accounting Officer submits to the Senate within sixty (60) days a detailed implementation plan with timelines and milestones**

**for achieving full operational autonomy, and the Auditor-General monitors compliance in the subsequent audit cycle.**

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

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Municipality of Rumuruti for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Samuel Wachira Gachigi - CECM, Finance
2. Mr. Jackson Maina Kibocha - Rumuruti Municipal Manager

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

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

#### **1. Unsupported Prior Year Adjustment**

The statement of changes in net assets discloses a balance of Kshs. 86,845,402 as at 30 June 2025, which includes a prior year adjustment on PPE amounting to Kshs. 23,814,402 as disclosed in Note 30 to the financial statements. Supporting journal entries and explanation on the nature of the adjustments were not provided. In the circumstances, the accuracy and completeness of the prior year adjustment (PPE) amount of Kshs. 23,814,906 could not be confirmed.

#### **Management Response**

The prior year adjustment amounting to Kshs. 23,814,906 is derived from an understated Net Book Value (NBV) for FY 2023/2024 amounting to Kshs. 24,221,907 resulting from an incorrect calculation of depreciation; an understated depreciation figure for Construction of Roads amounting to Kshs. 461,336 arising from casting errors; and an overstated depreciation figure for Computers amounting to Kshs. 54,335 resulting from depreciation beyond residual value.

#### **Committee Observation**

The Committee observed that trade payables of Kshs. 1,038,380 had remained outstanding for a period exceeding one year, with no measures outlined by management for their settlement, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015.

#### **Committee Recommendation**

The Committee recommends that—

- i. the Accounting Officer should ensure that the asset register for property, plant and equipment is maintained on an up-to-date basis with accurate depreciation calculations, and that the register values reconcile to the

**financial statements at all times in compliance with section 149(2)(b) of the Public Finance Management Act, Cap.412A;**

- ii. the Accounting Officer provides a comprehensive reconciled PPE asset register with values matching the financial statements, together with all supporting journal entries, to the Auditor-General within sixty (60) days from the adoption of this report;**
- iii. the Governor ensures that the Municipal Board complies with Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 by treating all outstanding debt as a first charge on revenue, and prepares and submits a debt repayment plan to the Auditor-General and the Senate within sixty (60) days of the adoption of this report; and the Auditor-General keeps this matter in view and provides a status update on the implementation of these measures in the subsequent audit cycle.**

## **2.Unreconciled Variance in Transfers from County Government**

The statement of financial performance and Note 6 to the financial statements reflects transfers from County Government amounting to Kshs. 9,500,000. However, the County Executive's financial statements disclose transfers to the Municipality amounting to Kshs. 7,000,000, resulting in an unreconciled variance of Kshs. 2,500,000. In the circumstances, the accuracy and completeness of the reported transfers from County Government of Kshs. 9,500,000 could not be confirmed.

### **Management Response**

The variance of Kshs. 2,500,000 relates to a transfer done on 1st July 2024 from the County Executive to Rumuruti Municipality Board. While the transfer was recognized by the County Executive in its financial statements in FY 2023/24, the same transfer was recognized as revenue by the Board in FY 2024/25. The timing difference in recognizing the transaction is attributable to exchequer release delays and cut-off date issues.

### **Committee Observation**

The Committee observed that the Municipality's financial statements report transfers from the County Government amounting to Kshs. 9,500,000, whereas the County Executive's financial statements disclose transfers of only Kshs. 7,000,000, resulting in an unreconciled inter-entity variance of Kshs. 2,500,000.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Accounting Officer and the County Executive undertake a joint reconciliation of all inter-entity transfers and submit a reconciled report to the Auditor-General within sixty (60) days from the**

adoption of this report, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply;

- ii. the Accounting Officer complies with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of the Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and the Auditor-General keeps this matter in view in the subsequent audit cycle to confirm that the variance has been fully reconciled and appropriately disclosed.
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submits a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

### **3. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final total budget revenue and actual amounts on a comparable basis of Kshs. 13,402,890 and Kshs. 9,902,890 respectively, resulting in a revenue shortfall of Kshs. 3,500,000 or 27% of the approved budget. Similarly, the Municipality spent Kshs. 9,116,447 against actual revenue of Kshs. 9,902,890, resulting in an under-absorption of Kshs. 786,443, or 8% of actual revenue.

#### **Management Response**

The under-absorption of the budget was occasioned by under-realization of revenue budget. The under-realization of revenue budget was due to under-realization of transfers from the County Revenue Fund (CRF) by the County Executive.

#### **Committee Observation**

The Committee observed that the Municipality of Rumuruti registered a significant revenue shortfall of Kshs. 3,500,000 representing 27% of the approved budget, and an under-absorption of Kshs. 786,443 representing 8% of actual revenue, during the financial year under review.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures that the Accounting Officer complies with Regulation 42(1)(b) of the Public Finance Management (County Governments) Regulations, 2015; and**
- ii. **the Governor ensures that the County Executive releases all budgeted transfers to the Municipality in full and on time to enable effective budget implementation and service delivery, in compliance with section 20(1) of the Urban Areas and Cities Act, 2011.**

#### **4. Unresolved Prior Year Matters**

The following issues raised in the previous year audit report remain unresolved—

- a. Unsupported Prior Year Adjustment
- b. Inaccuracy from the Transfers from County Executive of Laikipia
- c. Non-Compliance with Public Sector Accounting Standards Board Reporting Template
- d. Failure to have Internal Audit Arrangements in Place

#### **Management Response**

The management presented prior year audit responses to the Senate and is waiting for a report on the findings of the same. Management has made positive steps towards resolving and implementing the well-advised recommendations of the Committee.

#### **Committee Observation**

The Committee observes that four critical audit queries from prior years remain unresolved: unsupported prior year adjustment; inaccuracy in transfers from the County Executive; non-compliance with the PSASB reporting template; and failure to establish internal audit arrangements.

#### **Committee Recommendation**

The Committee recommends that—

- i. **the Governor ensures that the Accounting Officer, Municipality of Rumuruti, resolves all outstanding prior year issues as required by section 149(2)(l) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences may apply;**
- ii. **the Governor ensures that the Accounting Officer develops and submits to the Senate within sixty (60) days a comprehensive implementation action plan with clear timelines and responsible officers for resolving all four outstanding prior year matters; and the Auditor-General keeps all four 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. Lack of Ethnic Diversity in Staffing**

Review of human resource records revealed that the Municipality has twelve (12) members of staff drawn from a single dominant ethnic community. This is contrary to section 7(2) of the National Cohesion and Integration Act, 2008, which requires that no public institution shall have more than one-third of its staff from the same ethnic community.

#### **Management Response**

The municipality staff were all seconded from the County Government Executive. The management commits to conform with section 7(2) of the National Cohesion and Integration Act, 2008 once all existing staff members working in the Environment Department (who are from different communities) are transferred to the Municipality.

#### **Committee Observation**

The Committee observed that all twelve (12) staff members of the Municipality are drawn from a single dominant ethnic community, contrary to section 7(2) of the National Cohesion and Integration Act, 2008.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor, Laikipia County, should ensure strict compliance with section 7(2) of the National Cohesion and Integration Act, 2008 by immediately transferring diverse staff from the Environment Department to the Municipality and ensuring that all future recruitments reflect the required ethnic diversity, with evidence of compliance submitted to the Auditor-General and the Senate within sixty (60) days;**
- ii. the Governor ensures that the County Executive develops a clear human resource framework for the Municipality that addresses staffing diversity and eliminates over-dependence on County Executive secondments;**
- iii. the National Cohesion and Integration Commission (NCIC) should monitor compliance by all county public institutions with section 7(2) of the National Cohesion and Integration Act, 2008; and**
- iv. the Auditor-General should verify the ethnic composition of the Municipality's staff in the subsequent audit cycle and report compliance status to the Senate.**

### **2. Non-Implementation of Transferred Functions and Inadequate Service Delivery**

Review established that the Municipality implemented only one (1) out of the nineteen (19) functions assigned under the Rumuruti Municipality Charter, 2018. The only

activity undertaken during the year related to the maintenance of urban and peri-urban roads and associated infrastructure. Expenditure incurred during the year of Kshs. 5,801,910 was on daily subsistence allowances for conferences, training and sensitization, which are not directly linked to service delivery to residents.

### **Management Response**

Management acknowledges that the Municipality has only been able to implement one (1) of the nineteen (19) functions assigned under the Rumuruti Municipality Charter, 2018. This is attributed to inadequate funding from the County Executive, failure to fully transfer the requisite financial and human resources, and the absence of an operationalized own-source revenue collection system.

### **Committee Observation**

The Committee observes that the Municipality of Rumuruti implemented only one (1) out of the nineteen (19) functions assigned under the Rumuruti Municipality Charter, 2018, with no evidence of implementing the eighteen (18) functions transferred under Kenya Gazette Notice No. 2664 of 2025.

### **Committee Recommendation**

**The Committee recommends that-**

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

## **3. Own-Source Revenue**

The Statement of Financial Performance discloses total revenue of Kshs. 9,500,000, received entirely as transfers from the County Government. The Municipality did not collect any revenue from exchange transactions during the year under review, despite this mandate being delegated under the County Government's authority and the Rumuruti Municipal Charter, 2018.

#### **Management Response**

The County Government Executive is in the process of implementing the transfer of functions. The County Executive acts as an agent to collect revenue on behalf of the Municipality and applies the same equitably as per the agreed Programme Based Budget (PBB).

#### **Committee Observation**

The Committee observes that the Municipality of Rumuruti did not collect any own-source revenue during the financial year 2024/2025, relying exclusively on County Government transfers of Kshs. 9,500,000 to finance its entire operations.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor, Laikipia County, should expedite the full operationalization of own-source revenue collection by the Municipality through establishment of a structured revenue framework with clear enforcement mechanisms, including fees, levies, rates and charges consistent with the Rumuruti Municipal Charter, 2018, and the Urban Areas and Cities Act, 2011; and**
- ii. the Auditor-General should keep this matter in view and provide a comprehensive status update on own-source and financial sustainability of the Municipality in the subsequent audit cycle.**

## CHAPTER THREE: HOSPITALS

### 3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NANYUKI TEACHING AND REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Thursday 12<sup>th</sup> February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Nanyuki Teaching and Referral Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

1. Mr. Samuel Wachira Gachigi - CECM Finance
2. Dr. Albert Wagura Taiti - CECM Health
3. Mr. Sammy Kilonzo - Medical Superintendent, Nanyuki Teaching and Referral Hospital

The Committee received both written and oral evidence from the County Government of Laikipia through the Hospital Management in response to the various audit queries raised by the Auditor-General. This report documents the observations and recommendations of the Committee on each audit query.

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Nanyuki Teaching and Referral Hospital on the following basis—

##### 1. Inaccuracies in the Financial Statements

The statement of changes in net assets discloses a negative capital/development grant of Kshs. 165,328,890. However, Management did not provide supporting schedules or detailed analyses to explain the composition, nature or adjustments leading to the negative balance. Further, the statement of cashflows discloses total payments from operating activity amounting to Kshs. 295,657,660. However, recalculation discloses a total of Kshs. 285,201,071, resulting in an unexplained variance of Kshs. 10,456,589. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

##### Management Response

Management explained that the variance of Kshs. 165,328,890 arose from the recognition of trade payables incurred before the financial year 2024/2025. The variance of Kshs. 10,456,589 was acknowledged as a casting error and management committed to adjust the cashflow statement in subsequent financial statements. Copies of the restated statement of cashflows were attached for verification.

### **Committee Observation**

The Committee observed that-

- a) the Statement of Changes in Net Assets reflected a negative capital/development grant balance of Kshs. 165,328,890 for which supporting schedules and detailed analysis were not provided during audit to explain the composition and adjustments leading to the balance.
- b) the Statement of Cash Flows reported total payments from operating activities amounting to Kshs. 295,657,660 while recalculation indicated payments totaling Kshs. 285,201,071, resulting in a variance of Kshs. 10,456,589.
- c) the Accounting Officer was not in good standing with the Institute of Certified Public Accountants of Kenya (ICPAK), contrary to the requirements for public sector financial management.

### **Committee Recommendation**

The Committee recommends that—

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

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

## **2. Long Outstanding Trade Payables**

The statement of the financial position and Note 36 to the financial statements disclose trade and other payables amounting to Kshs. 266,600,102. Review of the ageing analysis revealed that payables totalling Kshs. 145,827,734 had remained outstanding for more than one (1) year and were not settled as a first charge. Further, trade and other payables increased by Kshs. 52,630,529 from Kshs. 213,969,573 in the 2023/2024 financial year. In the circumstances, the accuracy and completeness of trade and other payables amounting to Kshs. 266,600,102 could not be confirmed.

### **Management Response**

Management attributed the increase in trade payables to low SHA reimbursement turnover and the outstanding defunct NHIF debt of Kshs. 131,628,768, stating that timely SHA reimbursements and full NHIF debt settlement would enable the Hospital to settle pending obligations as a first charge.

### **Committee Observation**

The Committee observed that-

- a) trade payables of Kshs. 266,600,102 have accumulated, with 55% outstanding for over one year and not settled as a first charge.
- b) the Hospital has no formal debt management policy.

### **Committee Recommendation**

**The Committee recommends that---**

- i. **the Governor convenes an emergency meeting with the County Treasury, Hospital management, and the Social Health Authority within thirty (30) days to develop a joint debt resolution framework addressing both SHA receivables and escalating vendor payables simultaneously, and submits a written report to the Committee within sixty (60) days of adoption of this report;**
- ii. **the Hospital develops and adopts a formal Debt Management Policy governing the classification, prioritization, and settlement of all outstanding obligations, and submits it to the Auditor-General within sixty (60) days of adoption of this report; and**
- iii. **the Governor engages the National Treasury and SHA to resolve the outstanding NHIF legacy debt of Kshs. 131,628,768 and provides the Committee with a quarterly status update on recovery progress until the debt is fully settled.**

### **3. Non-Disclosure of Intangible Assets**

The statement of financial position and Note 33 to the financial statements discloses nil balance for intangible assets. However, the Hospital is actively using the Funspot Hospital Management System (HMIS) of unknown value for managing patient information, billing, laboratory, pharmacy and other administrative and clinical operations. The software has not been recognized or disclosed in the financial statements. In the circumstances, the accuracy and completeness of the nil balance on intangible assets could not be confirmed.

#### **Management Response**

Management acknowledged the active use of the FUNSOFT HMIS and indicated that the system was purchased by the Ministry of Health prior to devolution and is currently being decommissioned and replaced with the Tiberbu® system. Management committed to value the system before the next audit cycle.

#### **Committee Observation**

The Committee observed that the FUNSOFT HMIS has not been valued or recognized as an intangible asset in the financial statements across multiple audit cycles.

#### **Committee Recommendation**

The Committee recommends that---

- i. the Accounting Officer fast-tracks the professional valuation of the FUNSOFT HMIS and any other intangible assets in active use and ensures they are recognized and disclosed in the financial statements for FY 2025/2026, submitting the valuation report to the Auditor-General within sixty (60) days of adoption of this report; and**
- ii. the Auditor-General verifies the valuation and proper disclosure in the subsequent audit cycle, and the Hospital submits a progress report on the Tiberbu® system transition to the Committee within the same period.**

### **4. Long Outstanding Trade Receivables**

The statement of financial position and Note 29 to the financial statements disclose receivables from exchange transactions balance of Kshs. 191,150,791, which includes receivables amounting to Kshs. 100,127,562 that had remained outstanding for more than one year. Further, the receivables comprised Kshs. 131,628,768 due from the defunct National Hospital Insurance Fund (NHIF) and Management did not provide evidence to demonstrate that this amount is recoverable. In the circumstances, the accuracy, completeness and recoverability of the receivables balance of Kshs. 191,150,791 could not be confirmed.

#### **Management Response**

Management stated that efforts to recover long-outstanding trade receivables are ongoing, with partial recovery from Madison Insurance noted. The defunct NHIF debt remains pending as the Cabinet Secretary for Health formed a taskforce to audit pending reimbursements. No communication has been issued regarding its resolution.

### **Committee Observation**

The Committee observed that-

- a) the NHIF debt of Kshs. 131,628,768 remains unresolved with no definitive government position on its recoverability.
- b) no formal demand letters, escalation protocols, or bad debt provisions have been made against long-outstanding receivables.

### **Committee Recommendation**

The Committee recommends that-

- i. the Governor through the Accounting Officer should ensure that the water company undertakes debtor's circularization to confirm the authenticity of the receivables and provide a status update on the same to the Senate within sixty (60) days of the adoption of this report;
- ii. the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' ageing schedule to the Auditor-General for review and verification and update the Committee in the subsequent audit cycle;
- iii. the Governor ensures that the Accounting Officer, within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor-General for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle;
- iv. the Governor formally escalates the outstanding NHIF legacy debt of Kshs. 131,628,768 to the Cabinet Secretary for Health and the National Treasury within thirty (30) days, demanding a definitive position on whether the debt will be honoured, transferred to SHA, or written off, and provides the Committee with the written response;
- v. the Governor ensures the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update the Committee on the matter in the subsequent audit cycle; and

- vi. the Governor ensures the Accounting Officer to undertake a detailed analysis of its long outstanding trade receivables and with the Board's approval, write off the irrecoverable debts in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.

## **5. Property, Plant and Equipment**

The statement of financial position and Note 32 to the financial statements disclose property, plant and equipment totalling Kshs. 100,287,265. However, the Hospital occupies a 45-acre parcel of land whose value has not been established or disclosed in the financial statements. In addition, the Hospital operates three (3) motor vehicles inherited from the County Government of Laikipia, whose values and related asset records were not provided for review and the assets were not recognized in the financial statements. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 100,287,265 could not be confirmed.

### **Management Response**

Management indicated that the Part Development Plan (PDP) for the 45-acre parcel has been prepared and gazetted, and valuation will follow once ownership documents are finalized. Ownership documents for two motor vehicles were provided and management indicated the transfer of one motor vehicle (KBY 063C) is ongoing.

### **Committee Observation**

The Committee observed that a 45-acre parcel of land and three motor vehicles have not been valued or recognized in the financial statements.

### **Committee Recommendation**

**The Committee recommends that-**

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages with the Ministry of Health of the National Government to ensure the transfer of ownership documents of land and buildings is fast tracked;
- ii. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;
- iii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and
- iv. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o)

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

## **6. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final budgeted receipts of Kshs. 820,720,394 against actual receipts of Kshs. 800,196,817, resulting in a shortfall of Kshs. 20,523,577, or 3% of the budget. Similarly, the Hospital spent Kshs. 775,613,105 against actual receipts of Kshs. 800,196,817, resulting in under-absorption of Kshs. 24,583,712, or 3% of actual receipts. The shortfall in receipts and under-absorption may have negatively impacted the Hospital's service delivery.

### **Management Response**

Management attributed the shortfall to SHA reimbursement underperformance during the year and explained that the under-absorption resulted from the inability to spend year-end June 2025 collections before financial period closure under the monthly AIE-based expenditure system.

### **Committee Observation**

The Committee observed that there was a revenue shortfall of Kshs. 20,523,577 and an under-absorption of Kshs. 24,583,712 attributable to delayed SHA reimbursements.

### **Committee Recommendation**

**The Committee recommends that---**

- i. the Governor, through the CECM for Health, engages SHA to establish a predictable monthly reimbursement cycle that reflects actual service delivery volumes, so as to reduce chronic cash flow deficits and budgetary underperformance; and**
- ii. the Accounting Officer prepares realistic, evidence-based budgets that account for SHA reimbursement trends, and enhances own-source revenue collection to provide a more stable Hospital funding base.**

## **7. Unresolved Prior Year Audit Issues**

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. A review during the audit of the Hospital for the financial year 2024/2025 revealed that the following fourteen (14) matters remained unresolved:

- a) Inaccuracies in Revenue Collection
- b) Overstatement of Property, Plant and Equipment
- c) Inaccuracies in Trade and Other Payables

- d) Material Uncertainty Related to Going Concern
- e) Hospital's Name Misnomer
- f) Presentation of Financial Statements
- g) Lack of an Approved Budget and Workplan
- h) Unutilized Assets
- i) Improper Maintenance of Fixed Assets Register
- j) Lack of Policy Documents
- k) Failure to Utilize Funsoft I-HMIS System Modules
- l) Non-Operational Maternity Theatre
- m) Lack of a Business Continuity Plan and a Disaster Recovery Plan
- n) Lack of Internal Audit Function

### **Management Response**

Management indicated that the Hospital appeared before the Senate on 28th March 2025 to deliberate on the above matters for the Financial Year 2023/2024 and awaits the Senate's report.

### **Committee Observation**

The Committee observed that fourteen (14) prior year audit matters remain unresolved, including the non-operational maternity theatre, absence of a Business Continuity Plan, and lack of an internal audit function.

### **Committee Recommendation**

**The Committee recommends that---**

- i. **the Governor directs the Hospital management to develop a comprehensive Prior Year Audit Matter Resolution Matrix within thirty (30) days of adoption of this report, mapping each of the fourteen (14) unresolved matters to specific responsible officers, concrete actions, resource requirements, and definitive completion dates;**
- ii. **the Auditor-General conducts a six-month follow-up compliance review of the Hospital specifically targeting the fourteen (14) unresolved prior year matters and reports the resolution status to the Senate Committee; and**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **1. Unapproved Waivers of Patients' Bills**

The statement of financial performance and Note 25 to the financial statements disclose medical services contracts losses amounting to Kshs. 10,456,589, being waivers and exemptions granted to patients. However, Management did not provide for audit the written delegated authority to the officers who granted the waivers from the Accounting Officer or the Receiver of Revenue. Further, a review of medical social worker

evaluation forms revealed that the forms were not signed by the medical social work department officers. The policy and procedure on granting waivers and exemptions was also not provided for audit review. In the circumstances, the regularity and validity of the waivers and exemptions granted amounting to Kshs. 10,456,589 could not be confirmed.

### **Management Response**

Management acknowledged the absence of formal delegated authority but explained that waivers follow a process involving formal patient requests, assessment by the medical social work department, deliberation by the hospital waiver committee, and multi-level HMIS approval. Management committed to regularize the process.

### **Committee Observation**

The Committee observed that waivers of Kshs. 10,456,589 were granted without written delegated authority and without a formal waiver policy.

### **Committee Recommendation**

**The Committee recommends that---**

- i. the Accounting Officer develops, formally approves, and implements a comprehensive Patient Bill Waiver Policy specifying eligibility criteria, means-testing procedures, approval authority at each level, documentation requirements, and quarterly reporting obligations to the Board of Directors, and submits this policy to the Auditor-General within sixty (60) days of adoption of this report;**
- ii. the Accounting Officer reconciles and accounts for the Kshs. 10,456,589 already granted, providing the Auditor-General with documentation for each waiver decision including the approving officer, basis of waiver, and supporting social assessment; and**

## **2. Non-Compliance with Ethnic Diversity Requirements in Staffing**

Review of human resource records revealed that the Hospital had a total of four hundred and forty-three (443) employees as at 30 June 2025, out of whom two hundred and sixty-three (263), or 59%, were from one dominant ethnic community, contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment should employ more than one-third of its staff from the same community. In the circumstances, Management was in breach of the law.

### **Management Response**

Management acknowledged the ethnic diversity challenge and indicated that the Laikipia County Public Service Board (LCPSB) is working to address the requirements through future recruitments and staff rationalization.

### **Committee Observation**

The Committee observed that 59% of the Hospital's 443 employees are from one dominant ethnic community, in breach of Section 7(2) of the National Cohesion and Integration Act, 2008 and no staffing diversification plan or equality, diversity and inclusion policy is in place.

### **Committee Recommendation**

**The Committee recommends that the Governor directs the Laikipia County Public Service Board to develop and implement a binding staffing diversification plan with measurable targets, timelines, and accountability mechanisms, and to submit this plan to the Auditor-General, the National Cohesion and Integration Commission (NCIC), and the Senate Committee within ninety (90) days of adoption of this report;**

### **3. Non-Compliance with Acting Appointment Requirements**

A review of personnel records revealed that the Acting Chief Executive Officer/Medical Superintendent has served in an acting capacity since 19th December 2022, which was over two years as at the time of audit. This is contrary to Section 34(3) of the Public Service Commission Act, 2017, which limits acting appointments to a minimum of 30 days and a maximum of six months. In the circumstances, Management was in breach of the law.

### **Management Response**

Management explained that the CEO/Medical Superintendent position is not yet part of the established Laikipia County Public Service staff establishment and was proposed by the Hospital Board. Management noted the Hospital is not legally established as a body corporate and that the officer in the acting position does not draw additional allowances.

### **Committee Observation**

The Committee observed that the Acting Medical Superintendent has served in an acting capacity for over thirty (30) months, far exceeding the six-month statutory maximum under Section 34(3) of the Public Service Commission Act, 2017.

### **Committee Recommendation**

**The Committee recommends that---**

- i. the Governor directs the Laikipia County Public Service Board to formally establish and gazette the position of Medical Superintendent/Chief Executive Officer of Nanyuki Teaching and Referral Hospital within thirty (30) days of adoption of this report;**

- ii. **the Governor takes immediate steps to substantively fill the position through a competitive and merit-based recruitment process in compliance with Section 34(3) of the Public Service Commission Act, 2017, and submits evidence of the appointment or commencement of the recruitment process to the Auditor-General within sixty (60) days of adoption of this report.**

#### **4. Unverified Professional Registration**

Review of personnel records revealed that one medical practitioner was not listed in the Kenya Medical Practitioners and Dentists Council (KMPDC) register of licensed medical practitioners and specialists for the year 2025. Additionally, one pharmacist could not be traced in the Pharmacy and Poisons Board (PPB) register of licensed practitioners. In the circumstances, the authenticity of professional qualifications and compliance with statutory licensing requirements by the affected staff could not be confirmed.

#### **Management Response**

Management provided the pharmacist's practicing licenses for 2025 and 2026. For the medical officer, management provided the 2013 KMPDC registration certificate but indicated the officer is currently indisposed and efforts to obtain the current-year practicing license are underway.

#### **Committee Observation**

The Committee observed that one medical practitioner and one pharmacist could not be verified as duly registered and licensed by their respective regulatory bodies as well the Hospital has no annual license verification process and no centralized register of valid professional licenses for clinical staff.

#### **Committee Recommendation**

**The Committee recommends that---**

**the Accounting Officer immediately suspends from clinical practice any staff member whose professional registration cannot be confirmed with the relevant regulatory body, and reinstates them only upon presentation of a valid and current license;**

**the Hospital establishes a mandatory annual professional license verification process for all clinical staff coordinated by the Human Resource department, with verification results submitted to the Hospital Board in the first quarter of every financial year.**

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **1. Non-Compliance with Medical Supplies Procurement Framework**

Review of procurement records revealed that no medical supplies were obtained from the Kenya Medical Supplies Authority (KEMSA) during the year under review, contrary to the approved procurement framework for public health facilities. Instead, the Hospital procured all medical supplies from private vendors. Further, analysis of outstanding payables revealed that the Hospital owes KEMSA an amount of Kshs. 39,415,805 and due to the long-outstanding debt, KEMSA blacklisted the Hospital, restricting access to essential supplies on credit. In the circumstances, the effectiveness of internal controls governing supply chain management and continuity of medical supplies could not be confirmed.

#### **Management Response**

Management attributed non-payment of the KEMSA debt to outstanding SHA and defunct NHIF receivables. Management cited the Supreme Court ruling (SC Petition No. 19 (E027) of 2021) which declared mandatory exclusive KEMSA procurement unconstitutional, and noted the County Department of Health makes purchases from KEMSA on behalf of county health facilities. Management committed to resume KEMSA purchases once receivables are settled.

#### **Committee Observation**

The Committee observed that the Hospital has been blacklisted by KEMSA due to an outstanding debt of Kshs. 39,415,805 and procured all medical supplies from private vendors during the year.

#### **Committee Recommendation**

**The Committee recommends that---**

**the Governor directs the County Executive to provide emergency budgetary support to the Hospital to clear the KEMSA debt of Kshs. 39,415,805 in the current financial year, treating it as a first-priority obligation given direct patient safety implications, and submits a structured payment plan to KEMSA and the Auditor-General within thirty (30) days of adoption of this report.**

#### **2. Lack of Disaster Recovery and Emergency Preparedness Procedures**

A review of the Hospital's internal control environment revealed that the Hospital does not have an approved Disaster Recovery Plan (DRP) or a formally documented and tested set of emergency procedures. The absence of these critical documents exposes the Hospital to significant operational risks, including prolonged service interruption, data loss and compromised patient safety in the event of system failures, disasters or emergencies. In the circumstances, the adequacy and effectiveness of the Hospital's internal controls over business continuity and emergency preparedness could not be confirmed.

#### **Management Response**

Management acknowledged the absence of an approved Disaster Recovery Plan and committed to finalize and implement it by the end of the current financial period.

#### **Committee Observation**

The Committee observed that the Hospital has no approved Disaster Recovery Plan or formally tested emergency procedures, a prior year unresolved finding.

#### **Committee Recommendation**

**The Committee recommends that---**

- i. the Accounting Officer finalizes, formally approves, and operationalizes a comprehensive Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) and submits the completed documents to the Auditor-General and the Committee within sixty (60) days of adoption of this report.**
- ii. the Governor ensures appropriate administrative action is taken against officers responsible for the continued failure to develop and implement these critical governance documents.**

### **3. Weakness in ICT Governance**

A review of the Information Communication Technology (ICT) environment revealed that although the Hospital had an approved ICT Policy, it had not established an ICT Steering Committee nor developed an ICT Strategic Plan to guide ICT governance, planning and investment decisions. The absence of these key governance structures limits the Hospital's ability to manage ICT risks, align ICT initiatives with institutional objectives and ensure coordinated and effective ICT operations. In the circumstances, the effectiveness of ICT governance and strategic oversight could not be confirmed.

#### **Management Response**

Management indicated that an ICT Steering Committee was appointed on 19th January 2026 and that ICT strategic objectives are incorporated in the Hospital's Strategic Plan for 2025-2030.

#### **Committee Observation**

The Committee observed that the Hospital had no ICT Steering Committee or standalone ICT Strategic Plan for the entire financial year under review.

#### **Committee Recommendation**

**The Committee recommends that---**

- i. the ICT Steering Committee convenes its inaugural formal meeting within thirty (30) days of adoption of this report, establishes clear terms of reference, adopts a meeting schedule, and begins development of a**

- standalone ICT Strategic Plan, submitting it to the Auditor-General within sixty (60) days;
- ii. the Hospital develops, tests, and implements a Disaster Recovery Plan for all ICT systems within ninety (90) days of adoption of this report, and conducts a simulated recovery test annually; and
  - iii. the Hospital explores migration to the government-provisioned Taifacare HMIS as part of its ICT strategic planning and submits a feasibility assessment to the County Government within six (6) months of adoption of this report.

#### **4. Ineffective Procurement Function and Lack of Operational Autonomy**

Despite the Hospital having its own management structure and a fully staffed procurement unit, procurement processes were conducted by the County Executive of Laikipia. No professional opinions were issued by the Hospital's Head of Procurement Unit, and procurement decisions were made by County Executive officers. This arrangement undermines the Hospital's operational autonomy, delays service delivery and reflects ineffective delegation of procurement functions.

##### **Management Response**

Management explained that operational autonomy is phased and progressive, the Hospital is not legally established as a separate entity, and procurement is currently a shared function with the County Executive providing professional opinions and prequalification services.

##### **Committee Observation**

The Committee observed that procurement decisions for the Hospital were made by County Executive officers, with no professional opinions issued by the Hospital's own Head of Procurement Unit. The Hospital has not been legally established as an autonomous entity, perpetuating the shared procurement arrangement without a clear resolution roadmap.

##### **Committee Recommendation**

The Committee recommends that---

- i. the Governor directs the County Executive to formally devolve all procurement functions for the hospital to the Hospital management with immediate effect, ensuring the Hospital's Head of Procurement Unit assumes full statutory responsibility for issuing professional opinions on all Hospital procurement matters in compliance with the Public Procurement and Asset Disposal Act, 2015;
- ii. any shared or delegated procurement arrangement between the Hospital and the County Executive must be formalized in a written service level

agreement clearly assigning accountability, defining scope, establishing oversight mechanisms, and specifying conditions for review or termination; and

- iii. the Governor initiates the necessary legal and legislative processes to formally establish the Hospital as a legally recognized and operationally autonomous entity within sixty (60) days of adoption of this report.

## **5. Non-Operational Maternity Theatre**

As previously reported, the maternity theatre for obstetric and emergency maternal care remains non-operational. This raises concerns regarding the Hospital's capacity to provide essential maternal health services, manage patient demand and uphold required operational and clinical standards. Despite the need for expanded maternity services, the theatre has not been commissioned, thereby limiting the Hospital's ability to perform procedures that should ordinarily be available within the facility.

### **Management Response**

Management confirmed the Hospital currently operates three theatre tables and indicated that the County advertised a maternity equipment tender (Tender No. LCG/A48/LHS/01/2024-25/26, issued December 2025) covering two maternity theatres and other specialized areas, which will add two additional theatre tables upon operationalization.

### **Committee Observation**

The Committee observed that the maternity theatre has remained non-operational for a minimum of two consecutive audit cycles.

### **Committee Recommendation**

The Committee recommends that---

- i. the Governor treats the operationalization of the maternity theatre as a matter of urgent public health emergency and submits to the Auditor-General, the Senate Committee, and the County Assembly a detailed commissioning plan within thirty (30) days of adoption of this report, specifying procurement timelines, equipment specifications, staffing requirements, and commissioning milestones;
- ii. the maternity theatre is fully equipped, staffed, and commissioned within one hundred and twenty (120) days of adoption of this report, with no further extensions granted, and evidence of commissioning submitted to the Committee; and
- iii. pending full operationalization, the Governor ensures the Hospital has a documented and tested obstetric emergency referral protocol guaranteeing patients can access emergency surgical maternal care without delay, and the

**Auditor-General conducts a specific follow-up audit of the maternity theatre within six (6) months.**

### **3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR DOLDOL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Thursday 12<sup>th</sup> February, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Doldol Level 4 Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers—

1. Mr. Samuel Wachira Gachigi - CECM Finance
2. Dr. Albert Wagura Taiti - CECM Health
3. Dr. David Mwangi Kariuki - Medical Superintendent, Doldol Level 4 Hospital

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

The Auditor-General rendered a Qualified Opinion on the financial statements for Doldol Level 4 Hospital for the financial year 2024/2025.

##### **1. Inaccuracy on Rendering of Services – Medical Services Income**

The statement of financial performance and Note 9 to the financial statements disclose revenue from rendering of services – medical services income amounting to Kshs. 1,966,406. Review of the Social Health Assurance (SHA) payment claims against the Hospital's bank statements revealed inconsistencies in the reported transactions. According to the SHA portal, claims amounting to Kshs. 220,000 had been settled to the Hospital between the months of February and March 2025. However, review of the Hospital's bank statements for the said months revealed no corresponding credits, indicating no payments were credited to the Hospital's account. In the circumstances, the accuracy and completeness of rendering of services–medical income of Kshs. 1,966,406 could not be confirmed.

##### **Management Response**

The Kshs. 220,000 referenced in the SHA portal as paid was not received in the hospital's bank account during the reporting period. In line with IPSAS Accrual principles, the amount has been recognized as receivable from SHA. The hospital has initiated reconciliation with SHA to confirm remittance status and resolve any delays.

##### **Committee Observation**

The Committee observed that SHA claims totaling Kshs. 220,000 were shown as settled in the SHA portal but were not received in the hospital's bank account during the reporting period.

##### **Committee Recommendation**

**The Committee recommends the Governor to ensure that—**

- i. the Accounting Officer intensifies follow-up with the Social Health Authority to reconcile and recover the outstanding Kshs. 220,000 within sixty (60) days from the adoption of this report, and submits evidence of resolution to the Auditor-General;**
- ii. the Accounting Officer takes appropriate administrative action on responsible officers who fail to maintain complete reconciliations between receivables and bank receipts in accordance with section 156(1) of the Public Finance Management Act, Cap. 412A; and the Auditor-General keeps this matter under review in the subsequent audit cycle to confirm full recovery of the outstanding amount.**

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

The statement of financial position and Note 22 to the financial statements disclose property, plant and equipment balance of Kshs. 3,294,000. However, review of the Hospital's assets register revealed that the Hospital had various assets including land, buildings, motor vehicles, furniture, computers and equipment of unknown values, which were not disclosed in the financial statements. In addition, the Hospital's land had no title deed and the Hospital's motor vehicle was registered under the County Government of Laikipia. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs. 3,294,000 could not be confirmed.

### **Management Response**

Management acknowledges the audit observation regarding the non-disclosure of unvalued assets and is taking deliberate steps to strengthen asset recognition, valuation, and disclosure in the financial statements. The County Executive has been engaged regarding the surveying, beaconing, and titling of hospital land.

### **Committee Observation**

The Committee observed that the hospital had various assets including land, buildings, motor vehicles, furniture, computers and equipment that were not properly valued and disclosed in the financial statements. The hospital land lacks title deeds and the ambulance is registered under the County Government of Laikipia rather than the hospital entity.

### **Committee Recommendation**

**The Committee recommends the Governor to ensure that—**

- i. the Accounting Officer completes the valuation of all hospital assets including donated assets within ninety (90) days from the adoption of this report and ensures full disclosure in the financial statements for FY 2025/2026 in compliance with IPSAS requirements;**

- ii. the County Executive expedites the surveying, beaconing and titling of all hospital land and submits progress reports to the County Assembly every quarter until completion;
- iii. the Accounting Officer finalizes the transfer of the ambulance from the County Executive to Doldol Level 4 Hospital within sixty (60) days from the adoption of this report and ensures proper registration in the hospital's name;
- iv. the Accounting Officer maintains a comprehensive and updated asset register for all property, plant and equipment in accordance with section 149(2)(b) of the Public Finance Management Act, Cap. 412A; and
- v. the Auditor-General keeps this matter under review in the subsequent audit cycle to confirm compliance.

### **3. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position and Note 20 to the financial statements disclose receivables from exchange transactions amounting to Kshs. 1,738,591. The aging analysis of the receivables indicated that Kshs. 331,658 had remained outstanding for more than two (2) years. Further, the Hospital had outstanding NHIF claims totaling Kshs. 815,500 for services rendered under the Linda Mama Outpatient, Linda Mama Inpatient, Edu Afya and NHIF Maternity programs. Management indicated uncertainty regarding the likelihood of receiving these payments, as the NHIF program had been discontinued.

#### **Management Response**

The receivables aged over two years primarily relate to NHIF claims submitted under discontinued programs. Despite timely submission of claims, the hospital has not received formal communication on the fate of pending reimbursements. The County Revenue Board is engaging with SHA to pursue resolution of pending claims.

#### **Committee Observation**

The Committee observed that the hospital has long outstanding receivables totaling Kshs. 1,738,591, including Kshs. 331,658 aged over two years and NHIF claims of Kshs. 815,500 from discontinued programs.

#### **Committee Recommendation**

The Committee recommends the Governor to ensure that—

- i. the Accounting Officer, through the County Revenue Board, escalates the matter of outstanding NHIF claims (Kshs. 815,500) to the Social Health Authority and the National Treasury within thirty (30) days from the adoption of this report and provides quarterly progress reports to the County Assembly;

- ii. **the Accounting Officer conducts a comprehensive review of all receivables aged over two years and makes appropriate provisions for doubtful debts in accordance with IPSAS requirements;**
- iii. **the Accounting Officer establishes a robust debt management policy including timely follow-up mechanisms, periodic aging analysis, and write-off procedures for irrecoverable debts; and the Auditor-General keeps this matter under review in the subsequent audit cycle to confirm progress on debt recovery.**

## **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects final budgeted income of Kshs. 39,156,340, while the actual income amounted to Kshs. 38,007,841, resulting in a shortfall of Kshs. 1,148,499, or 3% of the budget. Similarly, the Hospital spent Kshs. 33,495,891 against the actual income of Kshs. 38,007,841, resulting in an under-absorption of Kshs. 4,511,950, or 12% of the actual income.

#### **Committee Observation**

The Committee observed significant budget variances including a revenue shortfall of Kshs. 1,148,499 (3%) and expenditure under-absorption of Kshs. 4,511,950 (12%).

#### **Committee Recommendation**

**The Committee recommends that the Governor to ensure that—  
the Accounting Officer improves budget preparation and execution to minimize variances and enhance service delivery, ensuring that budgeted revenues are realistic and achievable; and the Accounting Officer ensures proper classification of capital expenditure in financial statements and budget execution reports in accordance with IPSAS requirements.**

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **1. Significant Decline in Revenue on Rendering of Services**

The Hospital's rendering of services – medical service income decreased by Kshs. 865,778, from Kshs. 2,832,184 in the 2023/2024 financial year to Kshs. 1,966,406 in the year under review, representing a 31% decline. Management attributed the decline to the transition from NHIF to SHA, a reduction in maternity and antenatal patients, and limited laboratory capacity. However, no documentary or analytical evidence was provided to support these explanations.

### Management Response

The decline in revenue is primarily attributed to the transition from NHIF to SHIF, discontinuation of the Linda Mama and Edu Afya programs, and low SHIF uptake in the locality. Management provided comparative data showing deliveries decreased from 294 to 152, new ANC visits decreased from 206 to 125, and general outpatient attendance decreased from 5,161 to 2,705 over three years.

### Committee Observation

The Committee observed a significant 31% decline in medical service revenue attributed to the transition from NHIF to SHA and discontinuation of the Linda Mama and Edu Afya programs.

### Committee Recommendation

**The Committee recommends the Governor to ensure that—**

- i. the Accounting Officer, in collaboration with the County Health Department, develops and implements a comprehensive revenue enhancement strategy including community sensitization on SHA registration and benefits;**
- ii. the County Executive engages with the National Government to address challenges arising from the transition from NHIF to SHA including low uptake and payment delays;**

## **2. Manual Revenue Collection System**

The Hospital's revenue collection system is largely manual, with officers collecting payments via Mpesa, issuing manual receipts, recording transactions in an Mpesa counter book and carrying out monthly reconciliations rather than daily. The lack of automation and real-time reconciliation poses risks to financial accuracy, accountability and operational efficiency.

### Management Response

Management acknowledges that the current revenue collection system remains largely manual due to lack of automation infrastructure. The hospital has received tablets from the Digital Health Agency (DHA) and is set to benefit from the phase three roll-out of the Taifacare (Tiberbu) Health Management Information System (HMIS).

### Committee Observation

The Committee observed that the hospital's revenue collection system remains largely manual, which poses risks to financial accuracy and accountability.

### Committee Recommendation

**The Committee recommends the Governor to ensure that—**

**the Accounting Officer expedites the implementation of the Taifacare (Tiberbu) HMIS and submits a detailed implementation timeline to the County Assembly within thirty (30) days from adoption of this report; and pending full automation, the Accounting Officer strengthens manual controls including daily (not monthly) reconciliations, supervisory reviews, and segregation of duties to minimize revenue leakage.**

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

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Thursday, 12<sup>th</sup> February, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Rumuruti Sub-County Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers -

1. Mr. Samuel Wachira Gachigi - CECM Finance
2. Dr. Albert Wagura Taiti - CECM Health
3. Dr. Arthur Mumelo - Medical Superintendent, Rumuruti Sub County Hospital

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

The Auditor-General rendered a Qualified Opinion on the financial statements for Rumuruti Sub-County Hospital for the financial year 2024/2025.

##### **1. Unconfirmed Transfers from Other Government Entities**

The statement of financial performance and Note 2 to the financial statements reflect transfers from other government entities – Nyahururu County Referral Hospital amounting to Kshs. 1,100,000. However, the statement of financial performance and Notes to the financial statements of the Nyahururu County Referral Hospital had made no disclosure on transfers to Rumuruti Sub-County Hospital. In the circumstances, the accuracy and completeness of transfers from other entities amounting to Kshs. 1,100,000 could not be confirmed.

##### **Management Response**

This money relates to revenue from rendering of services for the ended financial year that was transferred from Nyahururu District Hospital Collection account to its expenditure account. Nyahururu County Referral Hospital in its financial statements has disclosed the revenue from other county health facilities in its statement of cashflow as a consolidated figure.

##### **Committee Observation**

The Committee observed that transfers totaling Kshs. 1,100,000 from Nyahururu County Referral Hospital to Rumuruti Sub-County Hospital were disclosed in Rumuruti's financial statements but not separately disclosed in Nyahururu's statements, only appearing as part of consolidated revenue.

##### **Committee Recommendation**

The Committee recommends the Governor to ensure that—

- i. the Accounting Officer establishes independent revenue collection accounts for Rumuruti Sub-County Hospital to ensure direct receipt and control of facility revenues in compliance with Section 5(1) and 5(2) of the Facilities Improvement Financing Act, 2023 within sixty (60) days from adoption of this Report;
- ii. the Accounting Officer ensures that all inter-facility transfers are properly documented and disclosed in the financial statements of both the transferring and receiving entities in accordance with IPSAS requirements; and
- iii. the Accounting Officer implements proper reconciliation procedures between Rumuruti and Nyahururu hospitals to ensure accuracy of transfer amounts and submits quarterly reconciliation reports to the County Assembly.

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

The statement of financial position and Note 13 to the financial statements reflect property, plant, and equipment totalling Kshs. 26,324,568. However, the Hospital's land and its value were not disclosed in the financial statements, and no allotment letter or title deed was provided to confirm ownership. In the circumstances, the accuracy and completeness of the property, plant, and equipment balance of Kshs. 26,324,568 could not be confirmed.

### **Management Response**

Management acknowledges that the Hospital land was not disclosed in the financial statements due to the absence of ownership documentation at the time of audit. The land is owned by the County Government of Laikipia and allocated for hospital use. The hospital land measures 21.32 hectares and is acknowledged in the approved Rumuruti Municipal Spatial Plan as parcel 4-15.

### **Committee Observation**

The Committee observed that the hospital land measuring 21.32 hectares (identified as parcel 4-15 in the Rumuruti Municipal Spatial Plan) was not disclosed in the financial statements due to absence of ownership documentation.

### **Committee Recommendation**

The Committee recommends that-

- v. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters health, engages with the Ministry of

**Health of the National Government to ensure the transfer of ownership documents of land and buildings is fast tracked;**

- vi. the County Executive expedites the surveying, beaconing and issuance of allotment letters and title deeds for Rumuruti Sub-County Hospital land within ninety (90) days from adoption of this report;**
- vii. the Governor ensures that the management of the hospital undertakes the valuation of all assets of the hospital and submits the valuation report to the Auditor- General for verification during the subsequent audit cycle;**
- viii. upon completion of the transfer and valuation, the Accounting Officer should prepare an updated asset register within 60 days of the adoption of this report and submit to the Auditor-General for verification; and**
- ix. the Governor, through the Accounting Officer ensures that the hospital maintains an up-to-date asset register in accordance with section 149(2)(o) of the Public Finance Management Act Cap 412A and in the format prescribed by the Public Sector Accounting Standards Board (PSASB), failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

## **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects both the final receipts budget and actual amounts on comparable basis of Kshs. 115,830,516, representing 100% budget funding. However, the Hospital spent Kshs. 84,182,483 against actual receipts of Kshs. 115,830,516, resulting in an under-absorption of Kshs. 31,648,033, or 27% of the actual receipts.

### **Management Response**

The hospital also incurred capital expenditure of Kshs. 29,341,202 – Kshs. 25,553,860 on Theatre Equipment and Kshs. 3,787,342 on Theatre Building – which was not captured in the statement of comparison of budget and actual amounts, resulting in an actual surplus of only Kshs. 2,306,831.

### **Committee Observation**

The Committee observed an apparent under-absorption of 27% when comparing operational expenditure against total receipts. However, the Committee noted that capital expenditure of Kshs. 29,341,202 was incurred on theatre equipment and building, which was not captured in the budget comparison statement, resulting in an actual surplus of only Kshs. 2,306,831 (2% of receipts).

### **Committee Recommendation**

**The Committee recommends the Governor to ensure that—**

- i. the Accounting Officer ensures proper classification and disclosure of both operational and capital expenditure in the statement of comparison of budget and actual amounts in accordance with IPSAS requirements; and**
- ii. the Accounting Officer submits documentary evidence of capital expenditure on theatre equipment (Kshs. 25,553,860) and theatre building (Kshs. 3,787,342) to the Auditor-General for verification.**

## **2. Lack of Approved Budget Estimates**

Management did not provide approved annual budget estimates for either the revenue or expenditure for audit review. In the absence of approved estimates, the audit could not determine whether the Hospital complied with the required process for preparing and submitting annual budgets, nor whether the expenditures incurred were aligned with the Hospital's planned priorities.

### **Management Response**

The facility had a budget that was approved by the hospital board and later forwarded to the Chief Officer for Health as required.

### **Committee Observation**

The Committee observed that management did not provide approved annual budget estimates during the audit period, making it impossible to verify compliance with budget preparation processes.

### **Committee Recommendation**

**The Committee recommends that the Accounting Officer ensures strict compliance with budget preparation, approval and submission timelines as prescribed in the Public Finance Management Act, Cap. 412A and County Budget and Appropriations processes.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **1. Non-Compliance with Fiscal Responsibility Principles on Wage Bill**

The statement of financial performance and Note 5 to the financial statements reflect expenditure on employee costs amounting to Kshs. 65,090,245, which represent 58% of the total revenue of Kshs. 112,507,565. This was contrary to Regulation 25(1)(a) of the Public Finance Management (County Governments) Regulations, 2015, which requires that expenditure on employee costs not exceed 35% of revenue.

### **Management Response**

The hospital staff are county staff who are seconded to the hospital, meaning they have been seconded together with their salary as revenue in kind and also a double entry on the expense side as expense in kind.

#### **Committee Observation**

The Committee observed that employee costs amounting to Kshs. 65,090,245 represented 58% of total revenue (Kshs. 112,507,565), significantly exceeding the 35% threshold prescribed in Regulation 25(1)(a) of the Public Finance Management (County Governments) Regulations, 2015.

#### **Committee Recommendation**

**The Committee recommends the Governor to ensure that—**

**the Accounting Officer ensures proper accounting treatment and disclosure of seconded staff and associated costs in accordance with IPSAS requirements; and the Auditor-General monitors compliance with fiscal responsibility principles in the subsequent audit cycle.**

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **1.Lack of Disaster Recovery and Emergency Preparedness Framework**

The Hospital did not have an approved Disaster Recovery Plan or formal, documented, and tested emergency procedures in place. In the absence of these critical frameworks, the Hospital remains vulnerable to operational disruptions, data loss, and inadequate response during emergencies.

#### **Management Response**

Management acknowledges the gap. Draft Disaster Recovery and Emergency Preparedness Plans are under development in collaboration with the County Disaster Management Unit. Approval and implementation are expected in the next financial year.

#### **Committee Observation**

The Committee observed that the hospital lacked approved Disaster Recovery and Emergency Preparedness Plans, leaving it vulnerable to operational disruptions and inadequate emergency response.

#### **Committee Recommendation**

**The Committee recommends the Governor to ensure that—**

- i. the Accounting Officer expedites the development, approval and implementation of comprehensive Disaster Recovery and Emergency Preparedness Plans within ninety (90) days from adoption of this report; and**

- ii. **the Auditor-General keeps this matter under review in the subsequent audit cycle to confirm implementation and testing of the plans.**

## **2. Failure to Meet Level 4 Hospital Standards 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 contrary to provisions of the Kenya Quality Model for Health (KQMH). Specific staffing deficiencies included: no key specialists available (Anesthesiologists, General Surgeons, Gynecologists, Pediatrics and Radiologists); only one (1) Medical Officer available against the required sixteen (16); and eighteen (18) Registered Community Health Nurses deployed instead of the required seventy-five (75). Equipment and infrastructure deficiencies included: no functional ICU or HDU beds; no renal unit; only one functional operating theatre; only fifty-two (52) beds against the requirement of one hundred and fifty (150); and only one (1) New Born Unit incubator against the requirement of ten (10).

### **Management Response**

Management acknowledges the findings. The staffing and equipment gaps are attributable to funding limitations and ongoing phased upgrading of the facility. The County Government has initiated recruitment plans, infrastructure expansion, and equipment acquisition under the UHC and CIDP frameworks.

### **Committee Observation**

The Committee observed severe deficiencies in staffing, equipment, and service delivery at Rumuruti Sub-County Hospital that significantly compromise its ability to function as a Level 4 facility as required by the Kenya Quality Model for Health.

### **Committee Recommendation**

**The Committee recommends the Governor to ensure that—**

- i. **the County Executive develops and submits to the County Assembly within sixty (60) days from adoption of this report a comprehensive, costed and time-bound plan for achieving full Level 4 hospital status including staff recruitment plan, equipment acquisition plan, infrastructure development plan, and service expansion roadmap;**
- ii. **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;**
- iii. **the County Executive expedites acquisition of critical equipment including ICU beds and equipment, HDU beds and equipment, dialysis machines, operating theatre equipment, hospital beds, and incubators; and the County Executive considers reclassifying the facility to reflect its actual operational**

**capacity until such time as it meets Level 4 requirements, to ensure accurate public expectations and appropriate resource allocation.**

### **3.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR NYAHURURU COUNTY REFERRAL HOSPITAL FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on 12<sup>th</sup> February 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on the financial statements of Nyahururu County Referral Hospital for the Financial Year 2024/2025. The Governor was accompanied by the following officers;

1. Mr. Samuel Wachira -CECM, Finance
2. Mr. Albert Wagura Taiti -CECM, Health and Medical Services
3. Dr. Lawrence Kamande -Medical Superintendent, NCRH

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

The Auditor-General rendered a **Qualified Opinion** on the financial statements of Nyahururu County Referral Hospital on the following basis;

##### **1. Errors and Inaccuracies in The Financial Statements**

Review of the financial statements revealed multiple errors and omissions including: discrepancies in the statement of financial performance where medical services income of Kshs.326,596,507 varied from the notes balance of Kshs.342,121,332 by Kshs.15,524,825; a variance of Kshs.80,680 between cash and cash equivalents in the statement of cash flows and the statement of financial position; a material variance of Kshs.384,109,466 between the capital fund balance in the statement of changes in net assets and the statement of financial position; a casting error of Kshs.28,981,844 in the statement of comparison of budget and actual amounts; and missing notes to the financial statements for property, plant and equipment items. In the circumstances, the presentation, accuracy and completeness of the financial statements could not be confirmed.

##### **Management Response**

Management acknowledged the errors and stated that remedial measures have been taken to prevent recurrence. It provided detailed reconciliations for the key variances including revenue from other county health facilities banked to the Hospital's collection account (Kshs.15,524,824), accumulated bank charges (Kshs.80,680), and posting errors in the capital fund balance. Management committed to restating the financial statements in the FY 2025/2026 accounts and undertaking prior year adjustments.

##### **Committee Observation**

The Committee observed that the financial statements contained multiple errors and inaccuracies, including a variance of Kshs.15,524,825 in medical services income, a

cash and cash equivalents variance of Kshs.80,680, a capital fund variance of Kshs.384,109,466, and a casting error of Kshs.28,981,844 in the budget comparison statement.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures that the Accounting Officer takes immediate and proportionate administrative action against officers responsible for the persistent errors and inaccuracies in the financial statements, in accordance with Section 156(1) of the Public Finance Management Act, Cap.412A and the officers' terms and conditions of service;
- ii. the Accounting Officer submits fully reconciled and corrected financial statements to the Auditor-General, supported by journal entries and all necessary adjustments, as prior year adjustments in the FY 2025/2026 financial statements, and the Auditor-General verifies and provides a status update in the subsequent audit cycle;
- iii. the Auditor-General reviews the corrected financial statements and provides a status update on the accuracy and completeness of financial reporting in the subsequent audit cycle; and
- iv. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submits a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.

### **2. Unexplained Variance and Long-Outstanding Trade and Other Payables**

The statement of financial position and Note 15 reflect trade and other payables of Kshs.216,730,662 as at 30 June 2025. However, the ageing analysis provided during the audit reflected total payables of Kshs.364,274,338, resulting in an unexplained variance of Kshs.147,543,676. The reported payables balance had been outstanding for more than one year. Management did not demonstrate any measures instituted to settle the obligations as a first charge during the period under review, in violation of Section 41(2) of the Public Finance Management (County Governments) Regulations, 2015. In the circumstances, the accuracy and completeness of the trade and other payables balance could not be confirmed.

### **Management Response**

Management stated that the variance of Kshs.147,543,676 represented additional trade payables that came to light after the financial statements had been prepared, following

completion of the verification process. A payment plan for settlement of the outstanding debts is being developed.

#### **Committee Observation**

The Committee observed that the Hospital had trade and other payables of Kshs.216,730,662 in the statement of financial position against Kshs.364,274,338 in the ageing analysis, resulting in an unexplained variance of Kshs.147,543,676, with the full reported balance outstanding for over one year.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer takes appropriate administrative action against officers responsible for the failure to accurately report trade and other payables in the financial statements, in line with Section 156(1) of the Public Finance Management Act, Cap.412A;**
- ii. the Accounting Officer submits, within sixty (60) days of the adoption of this report, a fully reconciled and comprehensive schedule of all trade payables, including the variance of Kshs.147,543,676, to the Auditor-General for verification;**
- iii. the Accounting Officer develops and submits to the Senate, within sixty (60) days of the adoption of this report, a structured pending bills clearance plan with clear timelines for the settlement of all outstanding obligations; and**
- iv. the Auditor-General reviews the status of payables settlement and provides a status update to the Senate in the subsequent audit cycle.**

### **3. Non-Disclosure of Rental Income**

The statement of financial performance reflects revenue from exchange transactions of Kshs.326,596,507 relating to medical service income. However, audit inspection revealed that three rental shops within the Hospital compound were generating rental income that was not disclosed in the financial statements. Management did not provide lease or tenancy agreements to determine rental terms, amounts payable, or duration of tenancy. No procurement or allocation documentation was provided to show how the tenants were identified or whether the shops were allocated through a competitive and transparent process as required under the Public Procurement and Asset Disposal Act, 2015. In the circumstances, the regularity, accuracy and completeness of revenue from exchange transactions could not be confirmed.

#### **Management Response**

Management stated that the Hospital had not been charging rent for the kiosks and committed to writing to the County Revenue Board to have rental income from the kiosks included in the county finance act.

#### **Committee Observation**

The Committee observed that the Hospital had three rental shops within its compound from which no rental income was charged or disclosed in the financial statements, and no tenancy agreements or procurement records were provided.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer immediately formalises all tenancy arrangements within the Hospital compound through written, competitively tendered agreements in compliance with the Public Procurement and Asset Disposal Act, 2015;**
- ii. the Accounting Officer ensures that all rental income is declared, collected, and fully disclosed in the Hospital's financial statements from the Financial Year 2025/2026 onwards; and**
- iii. the Auditor-General verifies compliance with rental income disclosure requirements and the existence of formal tenancy agreements in the subsequent audit cycle and provides a status update to the Senate.**

#### **4. Long Outstanding Accounts Receivables (Kshs.48,500,973)**

The statement of financial position reflects receivables from exchange transactions of Kshs.48,500,973 as disclosed in Note 12. Included in this amount is Kshs.369,843 from Kenya Alliance Insurance Company that had been outstanding for over five years. Management did not demonstrate any measures instituted to recover the amount, and no ageing analysis was provided for audit review. In the circumstances, the recoverability of the outstanding receivables could not be confirmed.

#### **Management Response**

Management stated that the Hospital had suspended the Kenya Alliance Insurance contract due to delayed payments and issued a demand letter. It further indicated that a plan has been in place since July 2025 to recover all accounts receivable from private medical insurers, and that the response by debtors has been positive.

#### **Committee Observation**

The Committee observed that the Hospital had receivables of Kshs.48,500,973, of which Kshs.369,843 owed by Kenya Alliance Insurance Company had been outstanding for over five years with no ageing analysis provided.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that the Accounting Officer submits, within sixty (60) days of the adoption of this report, a comprehensive debtors' schedule with ageing analysis to the Senate and the Auditor-General for verification;**

- ii. the Governor ensures that the Accounting Officer formally engages all outstanding debtors, including Kenya Alliance Insurance Company and SHA, through written demand notices and, where recovery fails, initiates legal proceedings or makes adequate provisions for bad and doubtful debts with Board approval; and
- iii. the Auditor-General provides a status update on receivables recovery in the subsequent audit cycle.

#### **5. Property, Plant and Equipment.**

The statement of financial position reflects property, plant and equipment (PP&E) of Kshs.90,628,693 as disclosed in Note 13. The schedule of PP&E was not included in the financial statements. Further anomalies noted include: absence of a current and accurate fixed asset register with updated figures for original cost, depreciation, net book values, serial numbers and tag numbers; ownership documents for land and motor vehicle logbooks were not availed for audit; assets were not tagged; no comprehensive valuation and verification of assets had been conducted; and the Hospital had not undertaken any valuation exercise despite the lapse of the three-year IPSAS transitional relief period. In the circumstances, the accuracy and completeness of the PP&E balance could not be confirmed.

#### **Management Response**

Management stated that it is progressively working on an updated asset register, that land ownership documents exist in the form of a letter of allotment for 7.8 hectares, and that motor vehicle logbooks are in the Hospital's custody. Asset tagging will be prioritised before the end of the current financial year. The County Treasury's Assets and Liabilities Directorate has an ongoing county-wide asset valuation initiative.

#### **Committee Observation**

The Committee observed that the Hospital had a PP&E balance of Kshs.90,628,693 that was not supported by a complete fixed asset register, asset tags, ownership documents for its 7.8-hectare land, or a formal asset valuation.

#### **Committee Recommendation**

The Committee recommends that –

- i. the Governor ensures the Accounting Officer, within sixty (60) days of the adoption of this report, completes a comprehensive fixed asset register in the format prescribed by the National Treasury, including updated original cost, depreciation amounts, net book values, serial numbers and tag numbers, and submits a copy to the Auditor-General for verification;
- ii. the Governor ensures that the Accounting Officer ensures all assets are physically tagged and conducts a formal physical asset verification exercise, with results reconciled against the fixed asset register, within ninety (90) days of the adoption of this report;

- iii. the Governor, through the CECM responsible for health matters, engages the County Assets and Liabilities Directorate to expedite the formal valuation of all Hospital assets in compliance with IPSAS 17 and IPSAS 33 and ensures ownership documents for land and motor vehicles are formally transferred to and held by the Hospital; and
- iv. the Auditor-General provides a status update on the completion and accuracy of the fixed asset register and the valuation exercise in the subsequent audit cycle.

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

The statement of financial position reflects current assets of Kshs.121,257,662 and current liabilities of Kshs.216,730,662, resulting in a negative working capital of Kshs.95,473,000. The statement of financial performance reflects total revenue of Kshs.787,534,731 against total expenditure of Kshs.891,277,905, resulting in a deficit of Kshs.103,743,173 for the year under review. These conditions indicate that the Hospital may be unable to meet its financial obligations as they fall due. As a result, a material uncertainty exists that may cast significant doubt on the Hospital's ability to continue as a going concern.

#### **Management Response**

Management stated that cost-cutting measures will be instituted including prioritising KEMSA procurement, rigorous follow-up on debtors, and active encouragement of SHA enrolment to reduce uncompensated care costs. Management also contended that the going concern risk is mitigated by the ongoing recognition of PP&E including land and buildings whose full value is yet to be ascertained.

#### **Committee Observation**

The Committee observed that the Hospital had a negative working capital of Kshs.95,473,000, a deficit of Kshs.103,743,173 for the year, and a loss of Kshs.21,981,945 from SHA comprehensive care contracts.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer, within sixty (60) days of the adoption of this report, prepares and submits to the Senate and the Auditor-General a comprehensive financial recovery plan with clearly defined milestones, timelines, and responsible officers;
- ii. the Governor, through the CECM for Health, urgently engages SHA and all outstanding debtors through formal written demand notices to accelerate revenue collection and reduce trade receivables to optimal levels;
- iii. the County Government provides targeted and ring-fenced financial support to the Hospital in the FY 2025/2026 budget to address the negative working capital position; and

- iv. the Auditor-General provides a status update on the Hospital's financial recovery in the subsequent audit cycle.

## **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.370,396,120 against actual receipts on a comparable basis of Kshs.307,077,378, resulting in a shortfall of Kshs.63,318,742 or 17% of the approved budget. Similarly, the Hospital spent Kshs.265,475,037 against actual receipts of Kshs.307,077,378, resulting in under-absorption of Kshs.41,602,341 or 14% of actual receipts. The shortfall in receipts and under-absorption may have negatively impacted planned activities and service delivery.

### **Management Response**

Management attributed the revenue shortfall to Kshs.48,500,973 in SHA receivables that had not been paid in time. The under-absorption was attributed to incomplete projects in the annual work plan and operational technicalities in the budgeting and approval process for monthly cash collected.

### **Committee Observation**

The Committee observed that the Hospital had actual receipts of Kshs.307,077,378 against a budget of Kshs.370,396,120, resulting in a shortfall of Kshs.63,318,742 (17%), and an expenditure under-absorption of Kshs.41,602,341 (14%).

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer strengthens budget planning processes to improve revenue realisation and expenditure absorption, including developing a realistic annual budget supported by a cash flow forecast;
- ii. the Accounting Officer submits quarterly budget performance reports to the County Treasury and the Controller of Budget in accordance with Section 168(3) of the Public Finance Management Act, Cap.412A; and
- iii. the Auditor-General reviews budget performance in the subsequent audit cycle and provides a status update to the Senate.

## **OTHER 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 the audit of Nyahururu County Referral Hospital for FY 2024/2025 revealed that the following matters remained unresolved: inaccuracies in financial

statements; variances between ledger balances and stock taking reports; unsupported cash and cash equivalents; unsupported plant and medical equipment; material uncertainty related to sustainability of service; budgetary control and performance; procurement of medical supplies from non-registered pharmaceutical suppliers; procurement of pharmaceuticals at higher prices than KEMSA; non-disclosure and under-utilisation of Managed Equipment Services; lack of pharmaceutical inspections and audits; outstanding debt and blacklisting from KEMSA; long outstanding trade and other payables; lack of an updated asset register; lack of an internal audit function; lack of policy documents; and unsurrendered imprest.

### **Management Response**

Management stated that it appeared before the Senate Public Investment Committee on 27th March 2025 for the review of the FY 2023/2024 audit report and is awaiting the Committee's report to determine the status of the issues raised.

### **Committee Observation**

The Committee observed that the Hospital had multiple unresolved prior year audit matters, including inaccuracies in financial statements, long-outstanding trade payables, lack of an asset register, and lack of an internal audit function.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor should ensure that the Accounting Officer resolves all outstanding prior year audit matters as required by Section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of Section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. **the Governor should ensure that the Accounting Officer submits a status report on the mitigation measures taken to resolve all prior year audit matters to the Senate and a copy to the Auditor-General within sixty (60) days of the adoption of this report.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

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

### **1. Non-Compliance with The Facilities Improvement Financing Act, 2023**

Audit review revealed that the Hospital did not fully comply with the Facilities Improvement Financing Act, 2023. Specifically, expenditures were incurred without Authority to Incur Expenditure (AIE) documents, and the Hospital did not demonstrate operation of a compliant FIF bank account or retention of all own-source revenues in

accordance with Sections 5 and 20 of the FIF Act, 2023. Management was in breach of the law.

### **Management Response**

Management stated that since January 2024, the facility has operated an expenditure bank account with Equity Bank that receives transfers from the Hospital's revenue accounts, and that expenditures are supported by AIEs approved by the Chief Officer of Health.

### **Committee Observation**

The Committee observed that the Hospital incurred expenditures without Authority to Incur Expenditure (AIE) documents and did not demonstrate full compliance with the FIF Act, 2023 in the retention and management of own-source revenues.

### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer strictly complies with Sections 5 and 20 of the Facilities Improvement Financing Act, 2023, ensuring that all own-source revenues are retained in and disbursed through the designated FIF bank account, and that all expenditures are supported by valid AIEs; and**
- ii. the Auditor-General verifies full compliance with the FIF Act requirements in the subsequent audit cycle and provides a status update to the Senate.**

## **2. Irregularities in Supply and Delivery of Hospital Files.**

The Hospital paid Kshs.982,758 to a local supplier for the supply and delivery of hospital files through a call-off contract entered on 20 September 2024. However, value for money assessment was not done in non-compliance with Section 114(2) of the Public Procurement and Asset Disposal Act, 2015, which requires that framework agreements exceeding one year must be subjected to an annual value-for-money review. In the circumstances, value for money in the procurement could not be confirmed.

### **Management Response**

Management stated that the contract was a three-year framework contract within the stipulated period, with the supplier engaged in September 2024 and contract expiry on 31 December 2024.

### **Committee Observation**

The Committee observed that the Hospital paid Kshs.982,758 for the supply of hospital files without conducting an annual value-for-money assessment, and the underlying framework agreement was not availed for audit review.

## **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the Accounting Officer conducts and documents annual value-for-money assessments for all framework agreements in compliance with Section 114(2) of the Public Procurement and Asset Disposal Act, 2015; and**
- ii. **the Auditor-General verifies compliance in the subsequent audit cycle and provides a status update to the Senate.**

### **3. Irregular Procurement of Pharmaceutical and Non-Pharmaceutical Supplies (Kshs.22,914,519)**

The statement of financial performance reflects medical/clinical costs of Kshs.219,059,188, including Kshs.22,914,519 for pharmaceutical and non-pharmaceutical supplies, out of which Kshs.10,794,814 was paid to various suppliers. The Hospital procured all pharmaceutical and non-pharmaceutical items from private suppliers instead of KEMSA without evidence that the required items were unavailable at KEMSA. Framework agreements were not availed for audit and the validity of these contracts could not be confirmed. In the circumstances, value for money in the procurement of pharmaceutical and non-pharmaceutical supplies could not be confirmed.

#### **Management Response**

Management stated that the Hospital became semi-autonomous in January 2024 and that accumulated KEMSA debts from prior periods, when the Hospital operated under the Department of Health, led to the Hospital being barred from accessing KEMSA supplies. The Hospital is in discussions with the County Executive to settle the outstanding KEMSA debt. Procurements were made under framework agreements in place at the time of audit, and a list of prequalified suppliers was maintained by the County Executive following an open tender process.

#### **Committee Observation**

The Committee observed that the Hospital procured pharmaceutical and non-pharmaceutical supplies totalling Kshs.22,914,519 from private suppliers, having been barred from KEMSA due to accumulated debts, and no framework agreements or prequalified supplier lists were availed for audit review.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures the County Executive prioritises the settlement of the outstanding KEMSA debt on behalf of the Hospital within sixty (60) days of the adoption of this report, to restore the Hospital's access to KEMSA and**

- ensure procurement of pharmaceutical and non-pharmaceutical supplies at competitive government prices;
- ii. the Accounting Officer ensures that all framework agreements and prequalified supplier lists are maintained at the Hospital level and availed for audit review in compliance with Section 114 of the Public Procurement and Asset Disposal Act, 2015; and
  - iii. the Auditor-General verifies procurement compliance in the subsequent audit cycle and provides a status update to the Senate.

#### **4. Weaknesses in The Management of Drugs**

Audit review of the Hospital's medical stores revealed several anomalies including: expired pharmaceutical items (GeneXpert cartridges – 500 pieces, and emergency pills – 10 boxes) stored in the main pharmacy with no disposal process initiated; absence of records for batch numbers, delivery dates, or expiry tracking; no documented policy governing the identification, segregation, storage, and disposal of expired drugs inconsistent with Section 163(1) of the PPAD Act, 2015; and management's failure to provide the value of the expired drugs. Management was in breach of the law.

#### **Management Response**

Management stated that some expired items have stringent disposal mechanisms due to their chemical composition and are stored in a designated location pending finalization of disposal. A hospital disposal committee has been established in compliance with the PPAD Act, 2015, and a standard operating procedure for expired drug management is being developed.

#### **Committee Observation**

The Committee observed that the Hospital had expired pharmaceutical items including GeneXpert cartridges (500 pieces) and emergency pills (10 boxes) stored in the main pharmacy with no disposal process initiated and no expiry tracking records maintained.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Accounting Officer ensures all expired drugs and medical supplies are immediately quantified, valued, and disposed of through the established Disposal Committee in accordance with Section 163(1) of the Public Procurement and Asset Disposal Act, 2015;
- ii. 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; and

- iii. **the Auditor-General verifies the disposal of the expired medical supplies, the establishment of the Disposal Committee, and the implementation of the expired drug management policy in the subsequent audit cycle.**

## **5. Anomalies in Laboratory Operations**

The Committee observed that the Hospital's laboratory staff did not maintain registers or bin cards for supplies received and dispatched, and collections from the store could not be confirmed to have reached the laboratory.

### **Management Response**

Management stated that the laboratory management uses top-up registers in the laboratory sub-store for controlled items and issues them out to other consumer units using respective bin cards. The facility is implementing measures to ensure use of store cards for all laboratory materials.

### **Committee Observation**

The Committee observed that the Hospital's laboratory staff did not maintain registers or bin cards for supplies received and dispatched, and collections from the store could not be confirmed to have reached the laboratory.

### **Committee Recommendation**

**The Committee recommends that the Governor ensures the Accounting Officer ensures that comprehensive bin cards and store registers are maintained for all laboratory supplies, and that all items are properly taken on charge before use in compliance with Section 162(1) of the Public Procurement and Asset Disposal Act, 2015. The Auditor-General to verify compliance in the subsequent audit cycle.**

## **6. Irregularities in The Procurement of Foodstuffs (Kshs.2,262,302)**

Medical/clinical costs of Kshs.219,059,188 include food and ration expenditure of Kshs.34,512,901, of which Kshs.2,262,302 was paid to a local supplier for foodstuffs. However, the Hospital did not provide the framework agreement supporting the engagement of the supplier in contravention of Section 114 of the Public Procurement and Asset Disposal Act, 2015. Management was in breach of the law.

### **Management Response**

Management stated that framework agreements for all six suppliers, including the subject supplier Jacesto Investments, were maintained by the County Executive following an open tender process.

### **Committee Observation**

The Committee observed that the Hospital paid Kshs.2,262,302 to Jacesto Investments for foodstuffs without a framework agreement being availed for audit review at the Hospital level.

## **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the Accounting Officer maintains all framework agreements at the Hospital level and avails them for audit review in compliance with Section 114 of the Public Procurement and Asset Disposal Act, 2015; and**
- ii. the Auditor-General verifies compliance in the subsequent audit cycle and provides a status update to the Senate.**

## **7. Non-Compliance with The Persons With Disabilities Act, 2003**

Review of staff biodata revealed that the Hospital had a total of 244 employees, of whom only one (1) person with disability was employed, translating to 0.4%, in disregard of Section 13 of the Persons with Disabilities Act, 2003, which requires that at least five percent (5%) of all appointments be reserved for persons with disabilities. Management was in breach of the law.

### **Management Response**

Management reaffirmed the Hospital's commitment to full compliance with the Persons with Disabilities Act, 2003, and stated that future appointments will prioritise persons living with disability.

### **Committee Observation**

The Committee observed that the Hospital had only 1 person with disability out of 244 employees (0.4%), against the statutory minimum of 5%.

## **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor directs the County Public Service Board to develop and implement a formal disability inclusion and recruitment policy for all county health facilities, with specific measurable targets and timelines, within ninety (90) days of the adoption of this report;**
- ii. the County Public Service Board submits a compliance status report on disability inclusion at Nyahururu County Referral Hospital to the Senate within sixty (60) days of the adoption of this report; and**
- iii. the Auditor-General reviews compliance with disability inclusion requirements in the subsequent audit cycle and provides a status update to the Senate.**

## **8. Lack of Essential Medicine at the Facility**

Audit comparison of the Kenya Quality Model for Health (KQMH) list of essential medicines required for Level 4 hospitals against the Hospital's stock revealed that the following medicines were not stocked: Amoxicillin capsules, Amoxicillin syrup 125mg/5ml, Cotrimoxazole tablets 480mg, Chlorpheniramine tablets 4mg,

Hydrocortisone injection 100mg/ml, Oral rehydration salts 500ml, and Tetracycline eye ointment 1%. Management did not provide an explanation for the absence of these essential drugs. Management was in breach of the law.

#### **Management Response**

No response was provided by management.

#### **Committee Observation**

The Committee observed that the Hospital did not stock seven essential medicines required for a Level 4 facility, namely Amoxicillin capsules, Amoxicillin syrup 125mg/5ml, Cotrimoxazole 480mg, Chlorpheniramine 4mg, Hydrocortisone 100mg/ml, Oral Rehydration Salts 500ml, and Tetracycline eye ointment 1%, with no explanation provided by management.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures 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;**
- ii. 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; and**
- iii. the Auditor-General verifies the availability of the prescribed essential medicines in the subsequent audit cycle and provides a status update to the Senate.**

#### **9. Irregular Granting of Patient Waivers and Exemptions (Kshs.14,544,773)**

Audit review revealed that the Hospital granted waivers and exemptions totalling Kshs.14,544,773. However, the Waiver Committee was not formally appointed by the relevant authority, its mandate and functions were not clearly defined, waivers were recommended without a documented and objective eligibility framework, and no evidence was provided that the waivers were authorised by the County Executive Committee Member for Finance as required under Section 159 of the Public Finance Management Act, 2012. Management was in breach of the law.

#### **Management Response**

Management stated that the Hospital Waiver Committee is already in place, appointed by the Accounting Officer, and that Medical Social Workers conduct home visits and use structured assessments to determine eligibility. The Accounting Officer has directed the medical social worker department to develop a structured checklist for objective assessment.

### **Committee Observation**

The Committee observed that the Hospital granted patient waivers and exemptions totalling Kshs.14,544,773 without authorisation from the CECM Finance, and no documented eligibility framework was in place.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor ensures the Accounting Officer formalises the Hospital Waiver Committee through appointment by the relevant authority in accordance with Section 159 of the Public Finance Management Act, 2012, with a clearly defined mandate and documented eligibility criteria;
- ii. all future patient bill waivers shall be processed strictly in compliance with Section 159 of the PFM Act, 2012, and all waivers must be authorised by the County Executive Committee Member for Finance based on prescribed criteria; and
- iii. the Auditor-General verifies compliance with waiver authorisation requirements in the subsequent audit cycle and provides a status update to the Senate.

### **10. Loss from Comprehensive Care Contracts with Social Health Authority (SHA) (Kshs.21,981,945)**

The statement of financial performance reflects medical services contract losses of Kshs.36,526,718, including losses of Kshs.21,981,945 from SHA comprehensive care contracts. The losses arose from the Hospital providing services to SHA-covered patients whose treatment costs exceeded the reimbursement rates paid by SHA. The provision of services to SHA-covered patients at reimbursement rates that do not fully cover costs exposes the Hospital to financial distress and affects the quality and sustainability of services.

### **Management Response**

Management stated that the SHA Primary Healthcare Fund capitation model allocates Kshs.225 per patient per quarter for outpatient services at Level 4 facilities, translating to Kshs.75 per month, which is inadequate to cover the actual cost of services. The hospital continues to operate under this model while advocating for improved reimbursement rates.

### **Committee Observation**

The Committee observed that the Hospital incurred losses of Kshs.21,981,945 from SHA comprehensive care contracts, with the capitation rate of Kshs.225 per patient per quarter insufficient to cover the actual cost of services.

### **Committee Recommendation**

The Committee recommends that—

- i. the Governor, through the CECM for Health, formally engages SHA at the national level to advocate for a review of capitation and reimbursement rates applicable to Level 4 facilities to ensure they reflect the actual cost of service delivery;
- ii. the Accounting Officer submits a comprehensive report to the Senate and the Auditor-General within sixty (60) days of the adoption of this report, detailing the SHA contract terms, actual service delivery costs, and mitigation measures being implemented to manage the financial exposure; and
- iii. the Auditor-General provides a status update on the SHA contract losses and the mitigation measures implemented in the subsequent audit cycle.

#### **11. Non-Compliance with Requirements of The Kenya Quality Model For Health Guidelines**

Verification of services, equipment, and staffing at the Hospital revealed deficiencies relative to the minimum Level 4 standards: the Hospital had one (1) anaesthesiologist against a standard of two (2), and one (1) gynaecologist against a standard of two (2). Equipment shortfalls included: resuscitative equipment – 2 against a standard of 3; newborn unit incubators – 8 against a standard of 10; newborn unit cots – 0 against a standard of 5; functional ICU beds – 0 against a standard of 6; and HDU beds – 0 against a standard of 6. These deficiencies contravene the First Schedule of the Health Act, 2017 and undermine the right to the highest attainable standard of health as guaranteed by Article 43(1) of the Constitution of Kenya, 2010. Management was in breach of the law.

#### **Management Response**

Management stated that the Hospital is exploring funding avenues for construction of an ICU unit, mental health ward, and amenity ward. A CT-scan unit is also planned under the NESP project. The County Government is recruiting additional staff including healthcare workers. The Hospital had two gynaecologists but one resigned in March 2025.

#### **Committee Observation**

The Committee observed that the Hospital operated below the minimum Level 4 KQMH standards, with 1 anaesthesiologist (standard: 2), 1 gynaecologist (standard: 2), 2 resuscitative equipment units (standard: 3), 8 incubators (standard: 10), 0 newborn cots (standard: 5), 0 ICU beds (standard: 6), and 0 HDU beds (standard: 6).

#### **Committee Recommendation**

**The Committee recommends that—**

- i. within sixty (60) days of the adoption of this report, the Governor submits to the Committee a time-bound capital investment and staffing plan to

- address all identified Level 4 equipment and staffing deficits, with clear milestones and funding sources;
- ii. the Accounting Officer submits a comprehensive equipment inventory, including condition assessments and operational status of all existing medical equipment, to the Auditor-General within sixty (60) days of the adoption of this report;
- iii. the Governor ensures progressive and ring-fenced budgetary allocation for procurement of medical equipment and recruitment of specialist medical staff in each subsequent budget cycle; and
- iv. the Auditor-General verifies progress on staffing levels and infrastructure compliance in the subsequent audit cycle and provides a status update to the Senate.

## **12. Non-Compliance with Data Protection Requirements**

The Committee observed 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 and processing personal data, though it holds MFL No. 10890.

### **Management Response**

Management stated that it is committed to initiating the registration process with the ODPC and that the Hospital has an MFL number (10890) which is one of the requirements for registration.

### **Committee Observation**

The Committee observed 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 and processing personal data, though it holds MFL No. 10890.

### **Committee Recommendation**

The Committee recommends that—

- i. 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.

## **13. Non-Compliance with Staff Ethnic Diversity Requirement**

Review of the June 2025 payroll revealed that the dominant ethnic community accounted for 186 out of 244 employees (76%), in breach of Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that not more than one-third of

employees should be from the same ethnic community. Management was in breach of the law.

#### **Management Response**

Management acknowledged the observation and committed to ensuring future staffing decisions adhere to the National Cohesion and Integration Act, 2008. The County Public Service Board has been mainstreaming ethnic composition in recent recruitments to ensure not more than 30% of staff are from the same ethnic community.

#### **Committee Observation**

The Committee observed that 186 out of 244 employees (76%) belonged to the dominant ethnic community, against the statutory maximum of one-third (33%).

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor directs the Laikipia County Public Service Board to develop and implement a formal ethnic diversity and inclusion policy for all county health facilities, with specific and measurable targets and timelines for compliance;**
- ii. a compliance status report on ethnic diversity composition at Nyahururu County Referral Hospital is submitted to the Senate within sixty (60) days of the adoption of this report; and**
- iii. the Auditor-General reviews ethnic composition compliance in the subsequent audit cycle and provides a status update to the Senate.**

#### **14. Non-Adherence to The Gender Rule**

Review of staff biodata as at 30 June 2025 revealed that 176 out of 244 employees (72.1%) were male and 68 (27.9%) were female. This composition does not comply with the one-third gender rule as provided for under Article 27(8) of the Constitution of Kenya, 2010. Management was in breach of the law.

#### **Management Response**

Management recognised that the existing gender composition does not meet the constitutional requirement and committed to adhering to the gender rule in future staffing decisions.

#### **Committee Observation**

The Committee observed that male employees constituted 176 out of 244 staff (72.1%), against the constitutional two-thirds gender rule, with female staff at 68 (27.9%).

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures the County Public Service Board develops and adopts a formal gender equity and inclusion policy for all county health facilities, with specific targets and timelines for achieving constitutional compliance;**
- ii. a compliance status report on gender composition at Nyahururu County Referral Hospital is submitted to the Senate within sixty (60) days of the adoption of this report; and**
- iii. the Auditor-General reviews gender composition compliance in the subsequent audit cycle and provides a status update to the Senate.**

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

Pursuant to Section 7(1) of the Public Audit Act, based on procedures performed by the Auditor-General, the following matters affected the effectiveness of the Hospital's internal controls, risk management, and governance framework –

### **1. Lack of Key Policy Documents**

Management did not provide evidence of essential policy documents, including a Strategic Plan, ICT policies, and a Risk Management Policy, inconsistent with Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which require Accounting Officers to develop risk management strategies and internal controls. In the circumstances, the adequacy and effectiveness of the Hospital's internal controls, risk management practices, and overall governance framework could not be confirmed.

#### **Management Response**

Management stated that a strategic plan for 2024–2029 is in place and a Risk Management Policy is available awaiting Board approval.

#### **Committee Observation**

The Committee observed that the Hospital did not have approved and operationalised policy documents, including a Strategic Plan, ICT policies, and a Risk Management Policy, during FY 2024/2025.

#### **Committee Recommendation**

**The Committee recommends that --**

- i. within ninety (90) days of the adoption of this report, 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 operationalisation of all required governance policies in the subsequent audit cycle and provides a status update to the Senate.**

## **2. Loss Of Revenue Due To Rejected Social Health Authority (SHA) Claims (Kshs.4,983,280)**

Records provided for audit indicated that the Hospital lost revenue of Kshs.4,983,280 due to rejected SHA claims. The Hospital failed to submit mandatory supporting documents required for claims processing within the stipulated fourteen (14) day submission period, resulting in automatic rejection of the claims. No plausible explanation was provided for management's failure to submit the required documentation. In the circumstances, the effectiveness of internal controls over claims management and revenue assurance could not be confirmed.

### **Management Response**

Management stated that the claims were not submitted within the stipulated period due to a nationwide SHA system downtime that prevented re-submission. Management has since made follow-up visits to the SHA head office to agree on the fate of these claims.

### **Committee Observation**

The Committee observed that the Hospital lost Kshs.4,983,280 in revenue due to SHA claims rejected for failure to submit mandatory supporting documents within the stipulated 14-day period.

### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Governor ensures 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;**
- ii. **the Accounting Officer submits evidence of follow-up with SHA on the rejected claims of Kshs.4,983,280 and a status report on recovery to the Senate and the Auditor-General within sixty (60) days of the adoption of this report; and**
- iii. **the Auditor-General reviews the effectiveness of SHA claims management controls in the subsequent audit cycle and provides a status update to the Senate.**

## **3. Lack of Internal Audit Function**

The Hospital had not established an internal audit department and no internal audit reviews were undertaken during the year under review, in non-compliance with Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015. The Hospital also did not have an Internal Audit Committee to provide oversight

and recommend corrective actions on identified risks. In the circumstances, the effectiveness of the Hospital's internal controls, risk management, and governance framework could not be confirmed.

#### **Management Response**

Management stated that the County Internal Audit Services Directorate is responsible for offering audit services to all county entities including NCRH. Audit reviews are presented to the Audit and Risk Management Sub-Committee of the Hospital Board of Management, which has held several meetings reviewing audit issues and risk exposure.

#### **Committee Observation**

The Committee observed that the Hospital had not established a dedicated internal audit department, and no Internal Audit Committee was in place during FY 2024/2025.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. the Governor ensures that a dedicated internal audit function is established for Nyahururu County Referral Hospital within sixty (60) days of the adoption of this report, in compliance with Regulation 153 of the Public Finance Management (County Governments) Regulations, 2015;**
- ii. the Accounting Officer establishes a functional Audit Committee in compliance with Regulation 157 of the PFM (County Governments) Regulations, 2015, and submits a copy of the committee's terms of reference and appointment letters to the Auditor-General within sixty (60) days of the adoption of this report; and**
- iii. the Auditor-General verifies the establishment and operationalisation of the internal audit function and Audit Committee 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 LAIKIPIA 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 Laikipia 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. Laikipia County Emergency Fund
2. Laikipia County Bursary Fund
3. Laikipia County Assets Leasing Fund
4. Laikipia County Business Stimulus Fund
5. Laikipia County Climate Change Fund - FLLoCA
6. Laikipia County Cooperative Fund.

#### **Committee Observation**

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

#### **Committee Recommendation**

**The Committee recommends that-**

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

## CHAPTER FIVE: COUNTY ENTITIES

### 5.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LAIKIPIA COUNTY REVENUE BOARD FOR THE FINANCIAL YEAR 2024/2025

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Laikipia County Revenue Board for the Financial Year 2024/2025. The Governor was accompanied by the following officers; -

1. Mr. Samuel Wachira Gachigi – CECM, Finance

#### REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Laikipia County Revenue Board for the period under review on the following basis—

##### 1. Presentation and Accuracy of Financial Statements

The following inaccuracies were noted in the financial statements of the Laikipia County Revenue Board for the financial year 2024/2025 -

- a) The statement of comparison of budget and actual amounts reflects an opening cash and cash equivalent budget adjustment of Kshs. 80,689, which was not supported nor explained.
- b) The statement of financial position and Note 35 reflects property, plant and equipment (PPE) balance of Kshs. 11,142,004. However, the balance was not supported by a comprehensive asset register and ownership documents for land on which buildings are situated, valued at Kshs. 4,180,447, were not provided for audit review.
- c) The statement of financial performance reflects a balance of Kshs. 364,000 in respect of repairs and maintenance. However, the statement of comparison of budget and actual amounts reflects a nil balance on the same, resulting in an unexplained variance of Kshs. 364,000.
- d) Note 36 reflects an opening balance for intangible assets of Kshs. 59,857,000. However, the actual payments made in the prior year were Kshs. 28,093,923, resulting in an unexplained variance of Kshs. 31,763,077.
- e) The statement of cash flows reflects purchase of intangible assets amounting to Kshs. 9,000,000. However, Note 36 discloses Kshs. 31,763,077 as payments made for intangible assets, resulting in an unreconciled variance of Kshs. 22,763,077.

### **Management Response**

(i) The Kshs. 80,689 is the budget roll-over from FY 2023/24. (ii) The buildings are prefabricated structures situated on riparian land; accordingly, land ownership documents are not applicable. (iii) The Kshs. 364,000 relates to an accrued expense for repairs and maintenance, which cannot be reported under the cash-based comparison statement. (iv) & (v) A reconciliation table has been provided to explain the variances. The discrepancies arise from timing differences in recognition of intangible asset payments across financial periods.

### **Committee Observation**

The Committee observed that the Laikipia County Revenue Board's financial statements contained multiple material inaccuracies and unreconciled variances, including

- a) an unsupported budget adjustment of Kshs. 80,689.
- b) a mismatch in the PPE balance of Kshs. 11,142,004 due to an incomplete asset register and missing ownership documentation for land valued at Kshs. 4,180,447.
- c) an unexplained repairs and maintenance variance of Kshs. 364,000 and
- d) unreconciled intangible asset variances of Kshs. 31,763,077 and Kshs. 22,763,077.

### **Committee Recommendation**

**The Committee recommends that the governor ensures; -**

- i. the Accounting Officer provides a comprehensive and reconciled asset register with values matching the financial statements, together with all relevant ownership documentation, to the Auditor-General within sixty (60) days from the adoption of this report;**
- ii. the Accounting Officer should comply with section 149(2)(b) of the Public Finance Management Act, Cap.412A and section 47(2) of the Public Audit Act, Cap.412B in the preparation and management of financial and accounting records, failure to which the provisions of section 62 of the Public Audit Act, Cap.412B and section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply; and**
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A and submits a quarterly report to the County Treasury and the Controller of Budget in accordance with section 168(3) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**

## **EMPHASIS OF MATTER**

### **1. Negative Working Capital Position**

The Auditor-General drew attention to the statement of financial position, which indicates that as at 30 June 2025, the Laikipia County Revenue Board had current liabilities amounting to Kshs. 19,057,623 against current assets of Kshs. 5,407, resulting in a negative working capital position of Kshs. 19,052,216. This raises concerns over the Board's ability to meet its short-term liabilities and may affect the continuity of operations.

### **Management Response**

The figures reflect the Board's current financial position which, while indicating an excess of liabilities over assets, does not fully capture the underlying operational dynamics and the financial support mechanisms in place. The County Government has consistently provided the necessary support to enable the Board to maintain its operations.

### **Committee Observation**

The Committee observed that the Laikipia County Revenue Board recorded a significant negative working capital position of Kshs. 19,052,216 as at 30 June 2025, with current liabilities of Kshs. 19,057,623 far exceeding current assets of only Kshs. 5,407.

### **Committee Recommendation**

**The Committee recommends—**

- i. the Governor ensures that the Board provides the Auditor-General with a formal liquidity management plan and evidence of confirmed financial support from the County Government, including disbursement schedules, within sixty (60) days from the adoption of this report;**
- ii. the Accounting Officer puts in place concrete measures to reduce the Board's dependence on County transfers for short-term liquidity and develops a strategy with clear milestones to progressively improve the working capital position; and**
- iii. the CECM for Finance, Laikipia County, ensures timely and predictable disbursement of budgeted allocations to the Board to prevent liquidity crises.**

## **2. Prior Year Unresolved Audit Matters**

The following issues raised in the previous year audit report remain unresolved;-

- a) Inaccuracies and Presentation of the Financial Statements
- b) Unapproved Expenditure
- c) Irregular Procurement of Accountable Documents

- d) Irregular Procurement of Hotel Services
- e) Unbalanced Budget

### **Management Response**

Management has made deliberate efforts in progressively resolving the audit queries. Management confirms that the five prior year matters have since been resolved through strengthened review controls, improved procurement processes, and corrective budgetary measures.

### **Committee Observation**

The Committee observed that the five audit matters raised in the prior year remain officially unresolved despite management indicating that steps have been taken to address them.

### **Committee Recommendation**

**The Committee recommends --**

- i. **the Governor ensures that the Accounting Officer resolves all outstanding prior year issues as required by section 149(2)(l) of the Public Finance Management Act, Cap.412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and**
- ii. **the Accounting Officer submits to the Auditor-General specific documentary evidence demonstrating the resolution of each of the five prior year audit matters within sixty (60) days from the adoption of this report.**

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **1. Irregular Expenditure**

The statement of financial performance and Note 16 to the financial statements reflects use of goods and services expense of Kshs. 28,095,571. The following irregularities were noted;-

#### **1.1 Payment of Allowances to County Assembly Budget Committee**

An expenditure of Kshs. 186,000 was incurred to facilitate the attendance of Members of the County Assembly (MCAs) and County Assembly staff at a budget-related meeting. However, no justification was provided to explain why the daily subsistence allowances were paid by the Board, yet the County Assembly is an independent entity with its own budgetary allocation and administrative resources. In the circumstances, the regularity and validity of the expenditure of Kshs. 186,000 could not be confirmed.

### **Management Response**

An amount of Kshs. 200,000 which was paid to Livestock Market Association(LMA) liaison members who are key people in Rumuruti, Sosian and Olmoran Livestock Market. The Laikipia County Revenue Board's approved the payment as per Section 19(2) of the Laikipia County Revenue Board Act 2014 and as per MIN 4/05/01/2024 AOB passed on 10/01/2024 as attached.

#### **Committee Observation**

The Committee observed that expenditure of Kshs. 186,000 was incurred by the Board to pay subsistence allowances to Members of the County Assembly who are funded through a separate budget vote, and that no documentation was provided to confirm whether the MCAs were also paid by the County Assembly for the same activity.

#### **Committee Recommendation**

**The Committee recommends—**

- i. the Accounting Officer recovers the Kshs. 186,000 from the beneficiaries or obtains a written confirmation from the County Assembly that no double payment was made, and submits evidence to the Auditor-General within sixty (60) days from the adoption of this report; and**
- ii. the Board ensures that all future payments to external parties are pre-approved and anchored in a clear legal or policy framework before disbursement is made.**

#### **1.2 Payment of Airtime to Enforcement Officers**

Airtime allowances totalling Kshs. 1,903,910 were paid to various enforcement officers during the period under review. However, no legal or regulatory framework, policy document or Salaries and Remuneration Commission (SRC) approval was provided to support the basis of the payments. In the circumstances, the regularity and validity of the expenditure of Kshs. 1,903,910 could not be confirmed.

#### **Management Response**

The payment of airtime totaling Kshs. 1,903,910 to various revenue collectors is to ease the collection of revenue using their smartphone since the revenue collection-system is a web-based system. In that case therefore, the board facilitates their internet connectivity.

The Board's approval for the airtime is as per Section 19(2) of the Laikipia County Revenue Board Act 2014 and as per MIN 4/05/01/2024 AOB passed on 10/01/2024. See appendix 2(i) Laikipia county revenue board Act 2014 2(ii) LCRB-Minutes

#### **Committee Observation**

The payments of Kshs. 1,903,910 were not sufficiently anchored in a regulatory or policy framework. No SRC circular or formal policy document governing the quantum and eligibility criteria for such payments was availed.

## **Committee Recommendation**

### **The Committee recommends—**

- i. the Board formalizes the airtime payment framework by developing a documented policy governing eligibility, rates, and conditions for such payments, and seeks SRC guidance on the allowability of the payments, with the policy submitted to the Auditor-General within ninety (90) days from the adoption of this report; and**
- ii. the Accounting Officer ensures that all future operational allowances are authorized through proper regulatory and policy frameworks, including SRC circulars where required.**

### **1.3 Revenue Operations – Facilitation of Livestock Market Association Members**

An amount of Kshs. 200,000 was paid as facilitation to Livestock Market Association (LMA) Liaison Members for their role in supporting County revenue mobilization during livestock market days. However, there was no legal or regulatory framework, policy document, or SRC circular provided to justify these payments. In the circumstances, the regularity and validity of the expenditure of Kshs. 200,000 could not be confirmed.

### **Management Response**

An amount of Kshs. 200,000 which was paid to Livestock Market Association(LMA) liaison members who are key people in Rumuruti, Sosian and Olmoran Livestock Market. The Laikipia County Revenue Board's approved the payment as per Section 19(2) of the Laikipia County Revenue Board Act 2014 and as per MIN 4/05/01/2024 AOB passed on 10/01/2024 as attached. See appendix 2(i)Laikipia county revenue board Act 2014 2(ii) LCRB-Minutes

### **Committee Observation**

The Committee observed that the Board paid Kshs. 200,000 to LMA liaison members without a formal written agreement or a legal framework.

### **Committee Recommendation**

**The Committee recommends the Accounting Officer provides a formal legal framework and a written agreement governing the LMA liaison payments to the Auditor-General within sixty (60) days from the adoption of this report; if no such framework can be provided, the Board should recover the Kshs. 200,000 from the responsible officer.**

### **1.4 Daily Subsistence Allowance**

An amount of Kshs. 255,000 was paid to a Board employee to facilitate revenue operations costs and cater for daily subsistence allowances during the Kenya Inter-Counties Sports and Cultural Association (KICOSCA) event. The supporting documents included cash sales receipts for the purchase of stationeries worth Kshs.

90,320. However, the procurement of goods using cash contravenes the National Treasury Circular No. 3/2010 of 7 May 2010. In the circumstances, the regularity and validity of the expenditure of Kshs. 259,820 could not be confirmed.

#### **Management Response**

The payment for kshs90,320 was for 2 different line items i.e. Stationaries Kshs 42,820 and standard clamp Kshs 47,500 as per counter receipt (S13) and counter issue (S11). See appendix 3(i)S11 & S13 (ii)

#### **Committee Recommendation**

**The Committee recommends—**

- i. the Accounting Officer provides all supporting documentation for the expenditure of Kshs. 259,820 to the Auditor-General within thirty (30) days from the adoption of this report; and**
- ii. the Accounting Officer ensures future imprest utilization complies with applicable procurement laws and National Treasury circulars.**

#### **1.5 Purchase of Hardware Items**

Included in the revenue operations expense is an amount of Kshs. 155,268 for the supply and delivery of hardware materials through a call-off contract. However, the contract under the framework agreement did not include a price schedule as required, and instead of applying predetermined prices, the supplier was requested to quote prices during the call-off. This was contrary to Paragraph 103(2)(a) of the Public Procurement and Asset Disposal Regulations, 2020.

#### **Management Response**

The supplier was engaged through call-off method and agreed to supply the items as per the predetermined prices for the supply and delivery of hardware materials as shown in the market survey below. See Appendix 4. list of predetermined prices

#### **Committee Recommendation**

**The Committee recommends—**

- i. the Accounting Officer provides the Auditor-General with the full framework agreement including the price schedule, together with evidence that the Kshs. 155,268 payment was consistent with the predetermined prices, within sixty (60) days from the adoption of this report; and**
- ii. the Board strengthens procurement controls to ensure all call-off orders strictly comply with Paragraph 103(2)(a) of the Public Procurement and Asset Disposal Regulations, 2020.**

#### **1.6 Unsupported Travel, Accommodation, Subsistence and Other Allowances**

Allowance payments totalling Kshs. 2,392,000 were not supported with the necessary documentation, including signed attendance registers, meeting invitations, back-to-office reports, training programmes, travel evidence, imprest warrants, user requests, and justification for subsistence allowances paid while officers were stationed at their duty stations. This is contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015.

### **Management Observation**

The expenditure amounting to ksh2,392,000 were sufficiently supported with the requisitedocuments i.e. attendance registers, meeting invitations, back-to-office reports, training programs, travel evidence, imprest warrants, user requests.

The presumed payment of officer at their duty station is a payment that was done for staff whomhad travelled from Nanyuki to Rumuruti for official duty. This payment was done to staff stationed at LCRB offices located in Nanyuki (up to January 2025). The staff who were paid were later transferred from Nanyuki to Rumuruti. The payment therefore was legitimate since they were away from their duty station. See appendix 5. Transfer letter of LCRB staff. See appendix 6. (i)-6(ix)For overall fully supported vouchers.

### **Committee Observation**

The Committee observed that allowance payments totalling Kshs. 2,392,000 were not supported by the requisite documentation during the audit.

### **Committee Recommendation**

**The Committee recommends—**

- i. the Accounting Officer ensures that all supporting documentation for allowance payments is properly maintained and readily available for audit review at all times, in compliance with Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015;**
- ii. all supporting documents for the Kshs. 2,392,000 expenditures are submitted to the Auditor-General for post-audit verification within thirty (30) days from the adoption of this report; and**
- iii. the Governor ensures the Accounting Officer strengthens internal audit controls and ensures proper record keeping in line with section 155 of the Public Finance Management Act, Cap.412A.**

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **1.Lack of ICT Governance Structures and Policies**

During the year under review, the Board did not establish key ICT governance structures, including an Information Technology (IT) Strategic Committee and an IT Steering Committee. These governance frameworks are critical for providing effective oversight, strategic direction, and policy formulation to ensure that IT investments, systems, and functions are adequately managed and aligned with the Board's mandate and operational objectives.

### **Management Response**

While formal ICT Strategic and Steering Committees under those specific titles have not yet been established, a Project Implementation Committee has been constituted and is actively performing strategic ICT oversight roles. The Board has an existing approved ICT Policy dated 2015 governing the management, use and control of ICT resources.

### **Committee Observation**

The Committee observed that the Board had not formally established the requisite ICT Strategic Committee and IT Steering Committee. The existing ICT Policy dated 2015 is outdated.

### **Committee Recommendation**

**The Committee recommends—**

- i. the Governor ensures the CECM for Finance puts in place all internal control systems as provided under section 155(5) of the Public Finance Management Act, 2012, including an ICT governance framework with formally constituted ICT Strategic and IT Steering Committees with clear terms of reference, membership, and meeting schedules, within ninety (90) days from the adoption of this report; and**
- ii. the Board expedites the review, finalization and adoption of the updated ICT Policy, including the ICT Security Policy, data protection framework, and disaster recovery plan, within ninety (90) days from the adoption of this report.**

## **5.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR LAIKIPIA COUNTY DEVELOPMENT AUTHORITY FOR THE FINANCIAL YEAR 2024/2025**

The Governor of Laikipia County, Hon. Joshua Wakahora Irungu, EGH, appeared before the Committee on Tuesday, 27<sup>th</sup> January, 2026 to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Laikipia County Development Authority for the Financial Year 2024/2025. The Governor was accompanied by the following officers:-

1. Mr. Samuel Wachira Gachigi – CECM, Finance

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

The Auditor-General rendered a Qualified Opinion on the financial statements of the Laikipia County Development Authority for the period under review on the following basis –

#### **1.Long Standing Trade and Other Payables**

The statement of financial position and note 22 to the financial statements reflect trade and other payables from exchange transactions balance of Kshs. 4,158,934. Included in the balance is an opening payable amount of Kshs. 2,298,934 that had remained outstanding for over three (3) years and was not settled at a first charge, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that debt service payments be paid as a first charge. In the circumstances, the accuracy and completeness of accounts payables opening balance of Kshs. 2,298,934 could not be confirmed.

#### **Management Response**

The delay in settling outstanding payables arose from cash flow alignment challenges. Management had planned to clear the balances early enough; however, the exchequer transfers from the County Executive were disbursed late in June, close to year end, affecting timely payment. The authority has since strengthened cash flow forecasting, and the long-outstanding payables were fully settled in FY 2025/26.

#### **Committee Observation**

Trade and other payables amounting to Kshs. 2,298,934 remained outstanding for over three (3) years contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015.

#### **Committee Recommendation**

**The Committee recommends that—**

- i. **the Accounting Officer, Laikipia County Development Authority, should develop and implement a comprehensive debt management policy within**

- sixty (60) days ensuring strict compliance with Regulation 41(2) by prioritizing all debt service payments as a first charge; and
- ii. the CECM for Finance, Laikipia County, should ensure predictable and timely disbursement of budgeted transfers to the Authority to avoid cash flow disruptions that compromise statutory compliance.

## **EMPHASIS OF MATTER**

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs. 6,925,594 and Kshs. 6,921,394, resulting in a shortfall of Kshs. 4,200 of the approved receipts. Similarly, the Authority expended Kshs. 3,399,805 against actual receipts of Kshs. 6,921,394, resulting in an under-absorption of Kshs. 3,521,589 or 51% of actual receipts. The shortfall in receipts and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

### **Management Response**

The under-expenditure during the reporting period is due to operational constraints experienced within the Authority. The appointed Acting Chief Executive Officer, Mr. Njuki Mahiga, fell ill and proceeded on sick leave intermittently. This situation significantly disrupted the Authority's day-to-day operations, delayed implementation of planned activities, and consequently resulted in under-utilization of the available funds.

### **Committee Observation**

The Authority recorded under-absorption of 51% (Kshs. 3,521,589) of actual receipts during the financial year 2024/2025, attributed to illness and intermittent sick leave of the Acting Chief Executive Officer.

### **Committee Recommendation**

**The Committee recommends that the Accounting Officer, Laikipia County Development Authority, should develop and implement a comprehensive business continuity management framework within sixty (60) days, including clear succession planning and delegation of authority mechanisms to ensure uninterrupted operations during staff absences, illnesses, or other emergencies.**

### **2. Unresolved Prior Year Matters**

The following matters raised in the Laikipia County Development Authority's prior year audit reports remained unresolved—

- a) Trade and other payables not paid as first charge

- b) Investment in an unviable project
- c) Long outstanding receivables

**Management Response**

The management is committed to address all observations and recommendations made by the Auditors in its aim of enhancing its Authority operations. Management has made deliberate efforts in progressively resolving the queries conclusively.

**Committee Observation**

Three critical prior year audit matters remain unresolved: trade and other payables not paid as first charge; investment in an unviable project; and long outstanding receivables.

**Committee Recommendation**

The Committee recommends that —

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

# **ANNEXTURES**

*Minutes of the Committee*



## 13<sup>TH</sup> PARLIAMENT 5<sup>TH</sup> SESSION

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

#### PRESENT

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

#### ABSENT WITH APOLOGY

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

#### SECRETARIAT

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

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

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

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

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

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

**MIN. NO. SEN/CPICSF/384/2026      CONSIDERATION AND ADOPTION OF  
REPORTS**

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

**1. Kajido County**

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

**2. Kiambu County**

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

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

### 3. Homabay

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

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

#### 4. Migori

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

#### 5. Kisii

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

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

#### 6. Machakos

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

#### 7. Baringo

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

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

8. Isiolo

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

9. Busia

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

10. Kakamega

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

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

11. Bungoma

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

12. Kitui

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

-13. Siaya

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

#### 14. Laikipia

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

#### 15. Turkana

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

#### 16. Narok

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

#### 17. Uasin Giishu

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

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

18. Nairobi

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

19. Meru

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

20. Trans-Nzoia

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

21. Nakuru

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

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

## 22. Kilifi

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

## 23. Kericho

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

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

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

**Committee resolution**

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

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

There was no any other business.

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

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



**SIGNED: ..... DATE: .....31.03.2026.....**

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