

PARLIAMENT
OF KENYA
LIBRARY

REPUBLIC OF KENYA



DATE	31/03/2026
TABLED BY	Sen. Osotsi
COMMITTEE	CPI/SF
CLERK AT THE TABLE	Wilson

COs
recommended
for approval for tabling
of 31/03/2026

THE SENATE
THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF TRANS NZOIA COUNTY WATER COMPANY, HOSPITALS, MUNICIPALITIES AND FUNDS FOR THE FINANCIAL YEAR 2024/2025.

SECTOR	NO.	ENTITY
WATER COMPANY	1	TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITIES	1	KITALE MUNICIPALITY
HOSPITALS	2	KITALE COUNTY REFERRAL LEVEL 4 HOSPITAL WAMALWA KIJANA TEACHING AND REFERRAL HOSPITAL
FUNDS	5	TRANS NZOIA COUNTY CLIMATE CHANGE FUND TRANS NZOIA COUNTY NAWIRI FUND TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND TRANS NZOIA COUNTY ELIMU BURSARY FUND TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND

MARCH, 2026

DC-EG

Forwarded to the committee for approval

31/03/2026

TABLE OF CONTENTS

ACRONYMS/ABBREVIATIONS	4
DEFINITION OF TERMS	5
PREFACE	6
COMMITTEE MEMBERSHIP	7
ESTABLISHMENT OF THE COMMITTEE.....	8
EXECUTIVE SUMMARY	9
REPORT STRUCTURE.....	10
GENERAL OBSERVATIONS FOR TRANS NZOIA WATER COMPANY.....	11
GENERAL RECOMMENDATIONS FOR TRANS NZOIA WATER COMPANY	11
GENERAL OBSERVATIONS FOR THE MUNICIPALITY	13
GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY	13
GENERAL OBSERVATIONS FOR HOSPITALS	14
GENERAL RECOMMENDATIONS FOR HOSPITALS	15
GENERAL OBSERVATIONS FOR THE FUNDS	17
GENERAL RECOMMENDATIONS FOR THE FUNDS.	17
ACKNOWLEDGEMENTS.....	19
CHAPTER ONE: WATER COMPANY	22
1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025. 22	
CHAPTER TWO: MUNICIPALITY.....	32
2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KITALE MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025.....	32
CHAPTER THREE: HOSPITALS	45
3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KITALE COUNY REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.	45
3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAMALWA KIJANA TEACHING AND REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.....	66
CHAPTER FOUR: FUNDS	75
4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025.	75
4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY NAWIRI FUND FOR THE FINANCIAL YEAR 2024/2025.....	79

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025.....	86
4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY ELIMU BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025.....	91
4.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR 2024/2025.....	95

ACRONYMS/ABREVIATIONS

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

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion which is the most desirable in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the organisation's management limits the scope of audit procedures.
3. **Adverse opinion:** This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole, and the auditor indicates that the financial statements are not presented fairly.
4. **Disclaimer:** This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation, and inadequate cooperation by the organizational management in the audit process.
5. **Accountability** – This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.
6. **Non-Revenue Water:** Non-Revenue Water refers to the difference between the amount of water put into the distribution system and the amount of water billed/unbilled as authorized consumption. It is usually attributed to physical losses such as leakages, bursts, and overflows through the existing old and dilapidated water supply network, and 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 Trans Nzoia County water company, hospitals, a municipality, and Funds, for the Financial Year 2024/2025. The entities considered include Trans Nzoia Water and Sewerage Company Limited (TRANSWASCO), Kitale Municipality, Kitale County Referral Level 4 Hospital and the Wamalwa Kijana Teaching and Referral Hospital, Trans Nzoia County Climate Change Fund, Trans Nzoia County Nawiri Fund, Trans Nzoia County Youth and Women Development Fund, Trans Nzoia County Elimu Bursary Scheme Fund, and Trans Nzoia County Executive Car Loan and Mortgage Fund. The Governor of Trans Nzoia County, accompanied by relevant officials, appeared before the Committee to respond under oath to audit queries raised by the Auditor-General in the respective reports.

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

COMMITTEE SECRETARIAT

- | | |
|------------------------------|----------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Erick Njogu | - Clerk Assistant II |
| 3. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 4. Mr. Khatib Omar | - Clerk Assistant III |
| 5. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 6. Mr. Jeremy Chabari | - Legal counsel |
| 7. Mr. Erick Ososi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana 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'ēnoh | - Media Relations Officer. |
| 15. Mr. Victor Kimani | - Audio officer |
| 16. Mr. Fredick Okola | - Serjent-at-arms |

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the Auditor-General's reports on the audited Accounts of Trans Nzoia Water Company, the municipality, hospitals, and Funds for the Financial year 2024/2025 (1st July 2024 to 30th June 2025) as the primary documents for the investigations. The Committee invited the Governor of Trans Nzoia as the Chief Executive Officer pursuant to Article 179(4) as a witness to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidence from the Governor, accompanied by relevant county officials, in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates.

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on nine (9) entities in Trans Nzoia County for the Financial Year 2024/2025. The entities covered are: One (1) water company – Trans Nzoia Water and Sewerage Company (TRANSWASCO), one (1) municipality – Kitale Municipality, two (2) Hospitals – Kitale County Referral Level 4 Hospital and Wamalwa Kijana Teaching and Referral Level 4 Hospital, and five (5) funds- Trans Nzoia County Climate Change Fund, Trans Nzoia County Nawiri Fund, Trans Nzoia County Youth and Women Development Fund, Trans Nzoia County Elimu Bursary Scheme Fund, and Trans Nzoia County Executive Car Loan and Mortgage Fund.

The water company, municipality, hospitals, and the Trans Nzoia County Executive Car Loan and Mortgage Fund received Qualified Opinions from the Auditor-General, indicating significant audit issues that require urgent management attention and corrective action. The other four (4) funds received an unqualified opinion.

The key issues identified across the entities include: going concern uncertainties arising from accumulated losses and negative working capital; non-revenue water at levels exceeding regulatory benchmarks; operation without valid WASREB licenses; irregular engagement of casual employees; non-remittance of statutory deductions; unresolved prior year audit matters; over-reliance on County Government transfers; non-compliance with procurement regulations; and weaknesses in internal controls and governance, weaknesses in budgetary control and performance, pending bills, and long outstanding trade receivables.

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.

CHAPTER ONE is a record of the audit queries raised in the report of the Auditor-General for Trans Nzoia Water and Sewerage Company Limited for the Financial Year 2024/25, and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Kitale Municipality for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Kitale County Referral Level 4 Hospital and Wamalwa Kijana Teaching and Referral Hospital for the Financial Year 2024/25, and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Trans Nzoia County Climate Change Fund, Trans Nzoia County Nawiri Fund, Trans Nzoia County Youth and Women Development Fund, Trans Nzoia County Elimu Bursary Scheme Fund, and Trans Nzoia County Executive Car Loan and Mortgage Fund for the Financial Year 2024/25, and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS FOR TRANS NZOIA WATER COMPANY

1. **Non-Revenue Water (NRW)** – The Committee observed that Garissa Water Company recorded very high levels of Non-Revenue Water at 38%, well above the sector benchmark of 25% prescribed by WASREB. This was due to aged infrastructure (leakages), illegal connections, and inaccurate metering and billing.
2. **Financial Management and Reporting** – The Committee observed inaccuracies and delays in the preparation and submission of financial statements. Supporting documents were submitted late, raising concerns about compliance with Section 62 of the Public Audit Act, Cap.412B, and the Company’s ability to fully comply with IPSAS reporting standards.
3. **Governance, Asset and Revenue Management** – The Committee observed that Garissa Water Company had incomplete disclosure of assets, including two (2) unserviceable motor vehicles and eleven (11) motorcycles that had been grounded and were therefore not in use but had not been disposed off. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015. Statutory deductions were also not consistently remitted, raising compliance and financial sustainability concerns.

GENERAL RECOMMENDATIONS FOR TRANS NZOIA WATER COMPANY

1. **Comprehensive Non-Revenue Water Reduction Strategy:** The Governor should issue a directive to the company to develop and implement a comprehensive Non-Revenue Water (NRW) reduction strategy within ninety (90) days of the adoption of this report. The strategy shall include targeted interventions such as rehabilitation of aging pipelines, installation of smart meters for accurate billing and leak detection, and community sensitization programs to curb illegal connections. Further, the company shall segregate NRW into physical losses (leakages and bursts) and commercial losses (illegal connections and meter inaccuracies) to enable targeted interventions and accurate performance tracking. Quarterly progress reports on NRW reduction shall be submitted to the County Executive Committee and the Auditor-General.
2. **Strengthening Financial Management and Reporting:** The Governor should ensure that the Board and Accounting Officer strengthen financial

management practices by preparing and submitting accurate, complete, and timely financial statements in full compliance with International Public Sector Accounting Standards (IPSAS). Continuous capacity building for finance staff shall be prioritized to enhance competency, improve compliance with reporting standards, and ensure adherence to the financial reporting template prescribed by the National Treasury. The Accounting Officer shall also ensure that all supporting documents are submitted to the Auditor-General within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B.

- 3. Asset Documentation, Disposal Committee Establishment, and Financial Sustainability:** The Governor should ensure that all company assets are properly documented, valued, and reflected in the financial statements. Further, the company shall establish and operationalize an Assets Disposal Committee in compliance with Regulation 77 of the Public Procurement and Asset Disposal Regulations, 2020, to oversee the disposal of grounded or obsolete assets as required by Section 163(1) of the Public Procurement and Asset Disposal Act, 2015. Revenue collection systems shall be strengthened through automation and enhanced enforcement mechanisms to optimize collections and reduce arrears. All statutory deductions shall be remitted to the relevant authorities within the prescribed timelines to avoid accrual of penalties and interest. Additionally, the company shall develop and implement a strategic plan with clear financial sustainability objectives, including revenue diversification, cost rationalization, and investment planning, to ensure long-term viability and improved service delivery. A comprehensive status report on the implementation of these measures shall be submitted to the Auditor-General within 120 days.

GENERAL OBSERVATIONS FOR THE MUNICIPALITY

- 1. Lack of Operational Autonomy** – The Committee observed that the municipalities relied heavily on County Government transfers for operations. Key functions under the Municipal Charter, such as urban roads, markets, abattoirs, and cultural activities, continued to be executed by the County Executive, limiting operational independence and risking duplication of roles.
- 2. Financial Management and Reporting** – The Committee observed unsupported property, plant and equipment balances, absence of a formal own-source revenue framework, and delayed submission of financial documents to the Auditor-General. These weaknesses raised concerns regarding the accuracy, completeness, and compliance of the Municipality’s financial statements.
- 3. Governance and Risk Management** – The Committee observed that Municipalities lacked a fully functional internal audit unit and did not have a risk management policy during the year under review. Additionally, the Municipality did not maintain full custody of its assets, limiting transparency, accountability, and safeguarding of public resources.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

- 1. Full Operational and Financial Autonomy:** The Governor should ensure that all municipalities achieve full operational, functional, and financial independence as prescribed under their respective Municipal Charters and the Urban Areas and Cities Act, Cap. 275. This shall include the formal and complete transfer of all functions currently managed by the County Executive to the municipalities, together with adequate and timely disbursement of funding to enable effective execution of their mandated roles. A transition plan with clear timelines and milestones shall be submitted to the County Assembly and the Auditor-General within ninety (90) days of the adoption of this report.
- 2. Operationalization of Own-Source Revenue and Strengthened Financial Reporting:** The Governor should direct the Accounting Officers to immediately operationalize own-source revenue streams in line with Section 172(a) of the Public Finance Management Act, 2012, to reduce over-reliance on County Government transfers and enhance the financial autonomy of municipalities. Further, the Accounting Officers shall ensure that all financial statements are accurate, complete, and fully compliant with International Public Sector Accounting

Standards (IPSAS). All finance staff shall receive comprehensive capacity-building to strengthen the quality of financial reporting, and all supporting documents must be submitted to the Auditor-General within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B.

- 3. Establishment of Internal Audit, Risk Management, and Asset Custody Frameworks:** The Governor should ensure that all municipalities establish fully operational internal audit functions, with qualified staff and clear charters, in compliance with Section 155 of the Public Finance Management Act, 2012. The municipalities shall also develop and implement comprehensive risk management policies to identify, assess, and mitigate operational and financial risks. Additionally, the municipalities shall take full custody of all their assets from the County Executive and maintain updated fixed asset registers in accordance with Section 136(1) of the Public Finance Management (County Governments) Regulations, 2015. These actions will safeguard public resources, enhance accountability and transparency, and ensure the long-term sustainability of municipal operations. A compliance report on the implementation of these measures shall be submitted to the Auditor-General within 120 days.

GENERAL OBSERVATIONS FOR HOSPITALS

- 1. Persistent Asset Valuation and Management Deficiencies:** Both hospitals demonstrate systemic weaknesses in fixed asset management, including failure to value land, buildings, and motor vehicles for financial statement inclusion, absence of unique asset identification tags, lack of comprehensive asset registers, and inadequate documentation of asset transfers between facilities. These deficiencies contravene Section 149(2) of the Public Finance Management Act, 2012 and undermine the accuracy and completeness of financial reporting.
- 2. Recurrent Revenue Collection and Receivables Management Challenges:** The hospitals face significant difficulties in accurately recording and collecting receivables from the Social Health Authority (SHA) and the National Hospital Insurance Fund (NHIF), with unexplained variances, inadequate debtor ageing analyses, and lack of effective debt recovery policies. These weaknesses compromise the accuracy of financial statements and constrain revenue flows essential for service delivery.

3. **Chronic Budget Underfunding Affecting Service Delivery:** Both institutions experienced substantial budget under-performance, with Kitale County Referral Hospital operating at 43% underfunding and Wamalwa Kijana Teaching and Referral Hospital at 68% underfunding. This persistent budget shortfall, compounded by industrial actions by health workers, has severely constrained the hospitals' capacity to deliver quality medical services to Trans Nzoia County residents.
4. **Regulatory Non-Compliance in Fiscal Management:** The hospitals demonstrate recurring non-compliance with statutory requirements, including failure to remit the 0.03% Public Procurement Capacity Building Levy as required by Legal Notice 206 of 2023, non-adherence to the 30% development expenditure threshold under the Public Finance Management Regulations, and inadequate implementation of prior year audit recommendations.
5. **Underutilization of Health Infrastructure and Resources:** The transfer of 90% of services from Kitale County Referral Hospital to Wamalwa Kijana Teaching and Referral Hospital has resulted in significant underutilization of valuable assets, including a Ksh. 500 million reference laboratory, idle wards, and non-functional equipment. This suboptimal resource utilization raises concerns about value for money on public investments in health infrastructure.

GENERAL RECOMMENDATIONS FOR HOSPITALS

1. **Comprehensive Asset Verification and Valuation:** The Governor should ensure the respective Accounting Officers, immediately undertakes a complete inventory and professional valuation of all hospital assets, including land, buildings, motor vehicles, and equipment, within 90 days of report adoption. A centralized, updated fixed assets register with unique identification codes should be established and maintained, with annual physical verifications to ensure accuracy and completeness in financial statements.
2. **Strengthened Revenue and Receivables Management Framework:** The governor should ensure the hospitals implements robust debtor management policies, establish functional debt recovery committees, and conduct monthly reconciliations of SHA/NHIF claims with the respective authorities. The MEDBOSS revenue system requires urgent upgrading to incorporate modern STK technology and automated controls, while finance staff should receive specialized

training on receivables management and compliance with International Public Sector Accounting Standards (IPSAS).

3. **Enhanced Budget Planning and Resource Mobilization:** The County Treasury and Department of Health should prioritize adequate funding for hospitals to meet approved budget levels, with particular attention to reducing the current funding gaps. Hospitals should develop realistic revenue projections based on historical performance, diversify income streams beyond SHA/NHIF, and establish contingency plans to mitigate the impact of industrial actions and other disruptions on revenue collection and service delivery.
4. **Strict Enforcement of Statutory and Regulatory Compliance:** The Governor should ensure that Accounting Officers implement all outstanding audit recommendations, failure to which legal action pursuant to Section 31(1) of the Public Audit Act shall be invoked. The County should work with IFMIS administrators to configure automatic deduction and remittance of statutory levies, while establishing manual controls in the interim. Future budgets must comply with the 30% development expenditure requirement under Regulation 26(1) of the Public Finance Management (County Governments) Regulations, 2015.
5. **Optimization of Health Infrastructure and Inter-Facility Synergy:** The governor should ensure the County Department of Health develops a comprehensive strategic plan for optimal utilization of both hospital facilities, clearly defining their respective mandates and service complementarity. The reference laboratory at Kitale County Referral Hospital should be fully operationalized as a regional referral center, while dilapidated buildings should be prioritized for renovation in the 2026/2027 budget cycle to restore functionality and ensure value for money on public investments.

GENERAL OBSERVATIONS FOR THE FUNDS

- 1. Systemic Underfunding and Under-utilization-** Most funds, including the Climate Change Fund, Elimu Bursary Fund, and Nawiri Fund, experienced significant underfunding and under-utilization of resources. This was primarily attributed to the under-collection of Own Source Revenue (OSR) and delays in exchequer releases.
- 2. Legal Lapses in Fund Continuity:** Several funds, such as the Nawiri Fund, Youth and Women Development Fund, and Elimu Bursary Fund, have continued to operate beyond their initial 10-year approval period without formal renewal from the County Executive Committee and County Assembly, in breach of PFM Regulations.
- 3. Weak Debt and Imprest Recovery:** Management struggled to recover long-outstanding loans and imprests, some dating back over a decade (e.g., 2013/2014 and 2015). In some instances, loans were disbursed without sufficient insurance cover or registered securities.
- 4. Poor Record Keeping and Documentation:** Auditors initially rendered qualified opinions for certain funds due to unsupported receivables and missing committee minutes, though some documents were later provided during exit meetings.

GENERAL RECOMMENDATIONS FOR THE FUNDS.

- 1. Enhance Revenue and Budget Planning-** Fund management must institute realistic budget planning and implement aggressive measures to enhance Own Source Revenue to ensure planned activities are fully funded and service delivery is not compromised.
- 2. Automate Statutory Deductions-** The Governor should ensure Accounting Officers work with IFMIS administrators to configure the system for automatic deduction and remittance of the Procurement Capacity Building Levy. Until then, manual controls and registers must be established to ensure compliance.
- 3. Regularize Fund Operations-** Management must prioritize and hasten the approval of reviewed bills and acts at the County Assembly to ensure all public funds are operating under valid legal frameworks and within the authorized timeframes.
- 4. Strengthen Recovery Mechanism-** Accounting Officers are required to put in place robust recovery measures with clear timelines for all outstanding loans and imprests. Irrecoverable debts should be formally analyzed and processed for write-off following Board approval and PFM Regulations.

5. **Strict Adherence to Audit Timeline-** To avoid qualified audit opinions, Accounting Officers must ensure the timely submission of all supporting documents, ledgers, and schedules during the actual audit process rather than waiting for exit meetings or subsequent cycles.
6. **Compliance with Disbursement Guideline-** Specifically for the Elimu Bursary Fund, management must strictly adhere to statutory requirements to set aside specific percentages of funds (e.g., 5% for physically challenged students) to ensure equitable distribution.

ACKNOWLEDGEMENTS

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

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

SIGNED:

DATE:

**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 FOUR COUNTY ENTITIES FOR TRANS NZOIA COUNTY FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
WATER COMPANY	1	TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITIES	1	KITALE MUNICIPALITY
HOSPITALS	2	KITALE COUNTY REFERRAL LEVEL 4 HOSPITAL
		WAMALWA KIJANA TEACHING AND REFERRAL HOSPITAL
FUNDS	5	TRANS NZOIA COUNTY CLIMATE CHANGE FUND
		TRANS NZOIA COUNTY NAWIRI FUND
		TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND
		TRANS NZOIA COUNTY ELIMU BURSARY FUND
		TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND

ACKNOWLEDGEMENTS

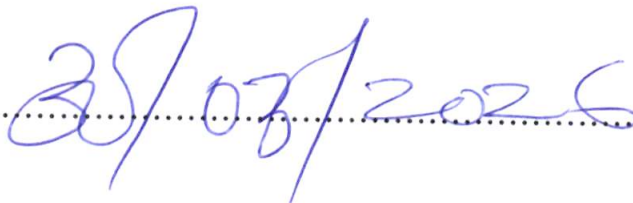
The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in the execution of its mandate. I also take this opportunity to thank the Members of the Committee for their due diligence and commitment in considering the audit reports. The Committee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

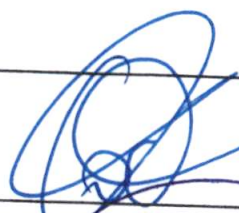


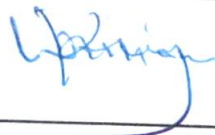




**HON. SEN. GODFREY ATIENO OSOTSI, CBS, MP
CHAIRPERSON**

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

SECTOR	NO.	ENTITY
WATER COMPANY	1	TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITIES	1	KITALE MUNICIPALITY
HOSPITALS	2	KITALE COUNTY REFERRAL LEVEL 4 HOSPITAL
		WAMALWA KIJANA TEACHING AND REFERRAL HOSPITAL
FUNDS	5	TRANS NZOIA COUNTY CLIMATE CHANGE FUND
		TRANS NZOIA COUNTY NAWIRI FUND
		TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND
		TRANS NZOIA COUNTY ELIMU BURSARY FUND
		TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND

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

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

CHAPTER ONE: WATER COMPANY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday, 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia Water and Sewerage Company Limited for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

Mr. Robert Wamalwa	- CECM Water
Ms. Irene Nang'ole	- Ag. Managing Director

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Trans Nzoia Water and Sewerage Company Limited on the following basis:

1. Long-Outstanding Debtors Inherited from Nzoia Water Services Company Limited

The statement of financial position reflects trade and other receivable opening balance as at 1 July, 2024 of Kshs.213,432,381 and closing balance of Kshs.251,703,753 as at 30 June, 2025. The opening balance relates to receivables inherited from the defunct Nzoia Water Services Company Limited. However, there was no documentary evidence including invoices and account statement provided for audit review to support the inherited. In addition, the rate and basis for the provision for doubtful debts amount of Ksh 62,744,474 as shown in Note 19(a) to the financial statements was not disclosed. Further, no evidence was provided to confirm measures or efforts being made by the Management to recover these long outstanding receivables.

In the circumstances, accuracy, completeness, and recoverability of trade and receivables amount of Kshs.251,703,753 could not be confirmed.

Management Response

The trade and other receivables amounting to KES 256,863,037 inherited by defunct NZOWASCO as observed by the auditor is supported by the attached ageing schedule, statements of account and account invoices(bills). The provision for doubtful debts amounting to KES 62,744,474 was determined based on management's assessment of the

recoverability of outstanding receivables, informed by the debt categorization exercise undertaken during the period under review.

This was advised by the core management team (CMT) in a meeting held on 2nd July 2025 to apply 20% rate in provision for bad and doubtful debts. Further to recover the debts, management has put in place a revenue enhancement committee to champion billing and collection efforts.

In addition, management is implementing an approved debt management policy that outlines debt recovery measures. Copies of the Defunct Nzowasco ageing analysis, Account statements, Account invoices, Extract of Core Management Team Minutes, Appointment letter of Revenue enhancement committee, and Extract of debt management policy were attached for the committee verification.

Committee Observations

The Committee observed that the query remains unresolved as the company had long outstanding trade and other receivables amounting to Ksh. 62,744,474 which remained outstanding for over for over 90 days.

Committee Recommendations

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.**

2. Unsupported Trade and other payables

The statement of financial position reflects trade and other payables of Kshs.232,220,755 as disclosed in Note 25 to the financial statements. However, review of trade payable schedules revealed that trade payables amounting to Kshs.191,998,469 inherited from the defunct Nzoia Water Services Company Limited was not supported by way of local purchase orders/local service orders, ageing analysis, delivery notes, and inspection and acceptance certificates.

In the circumstances, the accuracy and completeness of the inherited trade and other payables balance of Kshs.191,998,469 could not be confirmed.

Management Response

During decluttering process, the taskforce team recommended sharing of assets and liabilities based on shareholding of the two counties 51% for Trans Nzoia County and 49% for Bungoma county respectively. The trade and other payables amounting to KES 191,998,469 recognized in the financial statements was arrived at as a result of 51% shareholding of Trans Nzoia County. A joint transition committee was appointed by the county governments of Trans Nzoia and Bungoma to distribute the assets and liabilities of the defunct Nzoia Water Services Company Limited.

The Transition committee has not completed the exercise of sharing assets and liabilities. However, plans are underway for adoption of report and signing off deed of transfer as communicated from county government of Trans Nzoia. Copies of the Extract of decluttering taskforce report 2023, Joint appointment letter of transition Committee members, and the Letter from County government of Trans Nzoia to Bungoma County requesting for a joint meeting for report presentation, were provided for the committee verification.

Committee Observations

The Committee observed that the company's trade and other payables included Kshs.191,998,469 which resulted from the 51% shareholding from the defunct Nzoia Water Services Company Limited.

Committee Recommendations

The Committee recommends that; -

- i) within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables amounting to Ksh. 191,998,469 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 management concludes the implementation of the decluttering taskforce report 2023, pursuant to Regulation 99(3) of the Public Finance Management (County Governments) Regulations 2015;**
- iii) 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**
- iv) 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.Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted receipts of Kshs.376,544,117 against total actual receipts of Kshs.277,085,382 resulting to under-collection of Kshs.99,458,735 or 26% of the budget.

Similarly, the statement reflects actual receipts of Kshs.277,085,382 against actual expenditure of Kshs.225,537,655 resulting to under-utilization of Kshs.51,547,727 or 19% of the total receipts.

In the circumstances, the under-collection and under-utilization affected the planned activities and may have negatively impacted service delivery to the public.

Management Response

The company's failure to collect KES 99,458,735 of the projected budgeted receipts of KES 376,544,117 is attributed to aged infrastructure developed in 1984 that is prone to

leaks and bursts that affected the company water sales. Delays in installation of new pumps at Nzoia treatment plant also affected water sales. The pumps were successfully operationalized in January 2025. The amount of KES 51,547,727 had been allocated for capital intensive projects whose implementation spanned from FY 2024/2025 to current year. Copies of pictures showing line repairs and pump installation, Status report of projects as at 31st December 2025, Status report of projects as at 31st December 2025, and the Approved budget FY 2024/2025 were provided for the committee verification.

Committee Observations

The Committee observed that—

- i. the water company had an under-collection of Kshs.99,458,735 or 26% of the budget during the financial year under review; and
- ii. the water company had an under-utilization of Kshs.51,547,727 or 19% of the total receipts during the financial year under review.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, and Section 149 (20(h) of the Public Finance Management Act, 2012, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs, connection of more customers and automation to address revenue leakages, as well as putting strategies in place to ensure timely absorption of the budget. The Auditor-General to confirm the effectiveness of the mitigating measures put in the water company and report in the subsequent audit cycle.

4. Compliance with Law on Affirmative Action

The current composition of staff of the water company was ninety-four (94) staff as at 30 June, 2025. Out of the total staff thirteen (13) or 14% of the staff members were youthful, while twenty-one (21) or 22% of staff members were above fifty (50) years of age. There were no proper mechanisms for smooth succession when the older staff members will reach retirement age.

Further, there was no representation from persons with special needs contrary to Article 54(2) of the Kenyan Constitution 2010 which reinforces the rights of persons with disabilities and includes a provision for affirmative action, specifically stating that at least 5% of employment opportunities in the public sector should be reserved for people with disabilities.

Management Response

The company did not recruit in the period under review and the current staff composition was inherited from defunct Nzoia Water Services Company Limited. However, the company has one percent of the employees registered with National Council for persons with Disabilities.

For succession planning and to address staff composition issues, the Board of Directors has approved a staff establishment to guide recruitment. Copies of details of TRANSWASCO employee abled differently, and an extract of approved staff establishment 2025 were provided for the committee verification.

Committee Observations

The Committee observed that the company engaged ninety-four (94) staff while none them were persons living with disabilities, contrary to section 13 of the Persons with Disabilities Act, Cap.133.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer ensures strict compliance with the provisions of Section 13 of the Persons with Disabilities Act, Cap.133 with regards to the reservation of five per cent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities and Article 54 (2) of the Constitution of Kenya, 2010, failure to which the provisions of section 48 of the Act on offences for penalties shall apply; and**
- ii. the Auditor-General to monitor the implementation of the above recommendation and provide a status update on the same to the Senate during the subsequent audit cycle.**

5. Non-Compliance with the Law on a Third of Basic Salary

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects staff costs amount of Kshs.66,662,901 for the year

ended 30 June, 2025. Review of the payroll data established that several employees of the water Company received net salaries that were less than a third of their respective basic salaries for the months tabulated below:

Month	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec-24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25
Number of Employees Receiving Net Pay Less Than a Third of Their Basic Salaries	2	2	6	10	11	14	5	9	13	8	9	7

This was contrary to Section 19(3) of the Employment Act, 2007 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, the Management was in breach of the law.

Management Response

Non-compliance was occasioned by unforeseen increase in statutory deductions e.g., NSSF, housing levy, and SHA. The affected employees had already committed their pays slips prior to his changes. Management communicated to all employees to comply. Moreover, management reports that all affected employees are currently compliant. Copies of the Staff Memo on a third rule and Current status report November 2025 were provided for the committee verification.

Committee Observations

The Committee observed that the non-compliance was occasioned by unforeseen increase in statutory deductions for instance NSSF, housing levy, and SHA. The affected employees had already committed their pays slips prior to his changes.

However, the Committee noted that all employees are currently compliant to Section 19 (3) of the Employment Act, 2007, and thus satisfactorily addressing the matter.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

6. Non-Revenue Water

The statement of profit or loss and other comprehensive Income for the year under review reflects operating revenue amount of Kshs.310,715,459 which include water sales amount of Kshs.263,123,316 as detailed in Note 6 to the financial statements. During the year, the Company produced a total of 3,669,674 cubic meters of water at a production cost of Kshs.55 per cubic meter. Out of this, only 2,020,816 cubic meters was distributed and billed to customers. The billed water represents 55.1% of water produced while 44.9% represents unaccounted for water as summarized below;

Financial Year	2024-2025
Water Produced (M3)	3,669,674
Billed Volume (M3)	2,020,816
Non-Revenue Water Volume (M3)	1,648,858
Non-Revenue Water (%)	44.9%
WASREB Acceptable Threshold (25% of Water Produced)	917,419
Above WASREB Acceptable Threshold (M3)	731,434

The water loss of 44.9% was over and above the WASREB acceptable threshold of 25% by 19.9%. The Management did not provide satisfactory measures put in place so far to reduce the volume of Non-Revenue Water going into the future.

In the circumstances, the Company may have lost sales of approximately 1,648,858M3 of water or Kshs.90,687,190 incurred in production of the non-revenue water.

Management Response

The company's high non-revenue water in the period under review was occasioned by old and dilapidated water infrastructure which is prone to frequent leaks and bursts. The company's infrastructure was developed in 1984. In addition, water theft by existing and potential customers contributed to high non-revenue water in the period under review.

The management has appointed non-revenue water committee that is multi-sectoral to champion non-revenue activities. Management has budgeted for non-revenue water reduction activities in FY 2025/2026 for instance; rehabilitation of water infrastructure,

provision for purchase of ultrasonic flow meter to measure water flow and detect leaks, Smart Bulk meter for zoning, GIS software for mapping infrastructure, Meter testing bench for testing accuracy of the meters and GPS gadgets for mapping to manage non-revenue. The Management has also continuously trained employees from key departments on both physical and commercial water losses. The company procured 8 motorbikes and has budgeted for 10 more for line patrol and quick response to leaks and bursts.

Copies of the Appointment letter of Non- Revenue Water committee members, Extract of approved Budget FY 25/26, a letter of invitation Non-Revenue Water training, Motorbikes for line patrolling, and the Ownership documents copies of logbooks were availed for the committee verification.

Committee Observations

The Committee observed that—

- i. the company's non-Revenue water was at 44.9% which was 19.9% above the sector benchmark of 25% as set out in WASREB guidelines; and
- ii. the strategies enumerated by the water company seemed to be effective in mitigating the losses.

Committee Recommendations

The Committee recommends that—

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

7. Lack of Policy on Provision for Bad and Doubtful Debts

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.197,911,185 as detailed in Note 10 to the financial statements. This includes provision for doubtful debts of Kshs.62,744,474 provided for at the rate of 20%. However, the Company has not provided the basis of determining the rate of the provision as required by Paragraph 5.3.4 of Trans Nzoia County Water and Sewerage Company Limited Finance Regulations and Procedures Manual, 2024.

In the circumstances, the adequacy, validity and completeness of the provision for doubtful debts amount of Kshs.62,744,474 could not be confirmed.

Management Response

The provision for bad and doubtful debts amounting to Ksh 62,744,474 was determined based on management's assessment of the recoverability of outstanding receivables, informed by the debt categorization exercise undertaken during the period under review. The Core Management Team (CMT) approved a provision rate of 20% in a meeting held on 2nd July 2025. Further management reviewed the company's Finance Regulations and Procedures Manual and included the rates of provision for bad and doubtful debts. Extracts of Core Management Team Minutes and the finance regulations and procedures manual 2026 Page 12 were provided for the committee verification.

Committee Observations

The Committee observed that the does not have a policy on Management of bad and doubtful debts. However, as per the time of appearance before the committee, the management had submitted documentary evidence of an existence of an approved Debt Policy.

Committee Recommendations

The Committee recommended that the matter be marked as resolved.

CHAPTER TWO: MUNICIPALITY

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

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kitale Municipality for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

Mr. Wilberforce Wamalwa - Municipal Board Chair

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Kitale Municipality on the following basis; -

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.9,865,768 against actual revenue of Kshs.7,949,018 resulting into an underfunding of Kshs.1,916,750 or 19% of the budget. Further, the Municipality spent Kshs.7,834,318 against actual receipts of Kshs,7,949,018 resulting in underutilization of Kshs.114,700 or 1% of the budget.

The under-funding and under-utilization of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The planned activities were not affected because the goods and services were rendered pending payment. Out of the balance of KES 1,916,750 not received, KES 1,888,200 were commitments not paid which constituted the pending bills under the Recurrent Budget as tabulated in Table 1 below.

KES 28,550 was the difference between the contract sum and budgeted amount. The KES 114,700 was the balance carried forward in the bank, to be spent in the next financial period. Copies of invoices were provided for the committee verification.

Table 1: Pending Bills under the Recurrent Budget.

PAYEE	DESCRIPTION	STATUS	VOUCHER AMOUNT
Jetlink Investment	Stationery	Paid*1	232,000
Tindimukha	Furniture	Pending	254,000
Iroko	Catering	Pending	62,400
Nyangwesema Supplies	Stationery	Paid*1	227,100
Josfai Merchants	IT Equipment	Paid*	432,700
Rachiplus	MV Maintenance	Pending	680,000
TOTAL			1,888,200

Committee Observations

The Committee observed that the management had an underfunding of Kshs.1,916,750 or 19% of the budget, and an underutilization of Kshs.114,700 or 1% of the budget in financial year under review.

Committee Recommendations

The Committee recommends that; -

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Remittance of Public Procurement Capacity Building Levy

During the financial year ended 30 June, 2025, the Municipality issued and paid local purchase orders/local service orders and contracts amounting to Kshs.16,847,084. However, the Management did not deduct and remit the public procurement capacity

building levy of 0.03% of the contract amount paid leading to unremitted levy of Kshs.9,619.

This was contrary to paragraph 3(1) of Legal notice 206 of the Levy Order 2023 which states that there shall be paid a Levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In the circumstances, Management was in breach of the law.

Management Response

Lack of IFMIS Configuration & Automated Flagging Unlike statutory deductions like Withholding Tax (WHT) or Retention, the Integrated Financial Management Information System (IFMIS) is not currently configured to recognize the 0.03% Capacity Building Levy. Without an automated "logic" in the IFMIS system, the platform allows payments to be processed to completion without alerting the accountant of the missing deduction.

Absence of a Dedicated GVA Deduction Code

There is currently no specific General Vote Account (GVA) or Standard Chart of Accounts (SCoA) code on the IFMIS platform specifically mapped for the Public Procurement Regulatory Authority (PPRA) levy. In the absence of this code, there is no digital "wallet" within the system to hold the deducted funds before they are remitted, making manual workarounds necessary but high-risk.

Disjointed Remittance Channels (IFMIS vs. eCitizen)

While IFMIS is the primary tool for processing county payments, the PPRA requires the levy to be remitted via the eCitizen platform. Since IFMIS and eCitizen are not seamlessly integrated for this specific levy, it creates a "workflow break" where the officer must exit the IFMIS environment to generate a separate payment slip, increasing the likelihood of oversight.

Ambiguity in Multi-Year and Milestone Payments

The Levy Order lacks granular detail on how to treat milestone-based payments. Management faced challenges determining whether to deduct the full 0.03% on the first invoice (lump sum) or to pro-rate the deduction across multiple partial payments. This ambiguity often leads to a "wait-and-see" approach during the transition period.

Implementation Lag and Lack of Sensitization

Although the Legal Notice was issued in 2023, the official commencement and subsequent circulars from the National Treasury were late in reaching the County level. The lack of structured stakeholder sensitization forums for County Treasury and Procurement staff meant that the operational requirements of the order were not fully internalized at the point of invoice processing.

Verification of Exemptions

The law exempts contracts fully funded by Development Partners. Currently, IFMIS does not have a verification feature to distinguish between locally funded contracts and partner funded contracts. This requires manual verification of every contract, which is labor intensive and prone to error in a high-volume procurement environment.

Committee Observations

The Committee observed that the Hospital failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- i) **the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- ii) **Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- iii) **Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.**

2. Failure of the County Executive to Fund the Municipality's Approved Budget

The statement of financial performance reflects transfers from the County Government of Kshs.26,718,376 as disclosed in Note 6 to the financial statements. The amount includes Kshs.1,340,000 which was disbursed to the Municipality's bank account for recurrent expenditure, while the balance of Kshs.25,378,376 was paid by the County treasury on behalf of the Municipality. The funds were not transferred to the Municipality as budgeted, to be accounted for as a separate entity.

This contravenes Section 171(1) of the Public Finance Management Act, 2012 that states that an accounting officer of an urban area or city is responsible for the management of the

revenue received by that urban area or city in accordance with Section 172, and revenue allocated by the County Government to the urban area or city.

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

Management Response

Management acknowledges that the payment of KES. 25,378,376 was done through IFMIS. However, subsequently, the recurrent non procurable budget for the first half of this financial year 2025/2026 has been transferred to the Municipality's operations account and arrangements to transfer the development funds are underway as per attached disbursement schedule.

The achievement of autonomy in the Municipality's activities is in progress and the County is in the process of mapping the Municipality to IFMIS to align to the PFM Act 2012. Copies of the Disbursement Schedule and Transfer vouchers were provided for the committee verification.

Committee Observations

The Committee observed that the County Treasury paid an amount of Kshs.25,378,376 on behalf of the municipality, without transferring the amount to the Municipality account as budgeted, to be accounted for as a separate entity as required by Section 171(1) of the Public Finance Management Act, 2012.

Committee Recommendations

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. Irregular Expenditure from the Retention Account

The statement of financial position reflects receivables from non-exchange transactions amounting to Kshs.43,419,497, as disclosed in Note 14 to the financial statements. Included in this balance is Kshs.26,518,750 relating to borrowings by other County entities. Examination of documents provided revealed that Kshs.25,000,000 was paid to a construction company on 1 September, 2023 from Kitale Municipality Urban Development Grant Account as part payment for construction of a multi-storey business complex initiated by the County Government of Trans Nzoia.

Through a letter dated 22 August, 2023, the Chief Officer for Finance and Economic Planning authorized the Municipal manager to utilize retention funds in the account to pay a contractor for the certificate issued. However, there was no written agreement for refund of the amount of Kshs.25,000,000 paid from the retention account and therefore, the Municipality cannot establish claim for advances made without formal agreement.

Further, an inter-departmental borrowing, vide letter number CGTN/FIN/CO/30/VOL.1 (94) from the county treasury dated 19 August, 2024, authorized Kshs.500,000 to be drawn from the retention account. However, there was no evidence to confirm refund of the withdrawn amount.

In the circumstances, the Municipality may not be able to meet its retention payment obligations when they fall due.

Management Responses

Ksh. 25,000,000 was part payment of certificate number 12 to the contractor of the Kitale business Centre. The county executive has provided for the retention funds of KES. 25,500,000 in the 2025/2026 budget and will be able to meet the payment obligations when they fall due. An extract of Municipality 2025/2026 Development Budget copies of transfer vouchers were provided for the committee verification.

Committee Observations

The Committee observed that-;

- i) the Chief Officer Finance authorized the Municipal Manager to utilize retention funds amount of Kshs.25,000,000 to pay a contractor for the construction of a

multi-storey business complex initiated by the County Government of Trans Nzoia without a written agreement for refund of the amount, while Kshs.500,000 was withdrawn from the retention account without evidence to confirm its repayment, contrary to Regulation 142 (5) (b) of the Public Finance Management (County Government) Regulations, 2015.

- ii) The management has initiated the process of refunding the funds to the retention account.

Committee Recommendations

The Committee recommends that the Governor ensures that the Accounting Officer to fast track the repayment of the total amount of Ksh 25, 500,000 to the retention account on first charge, and adhere to all relevant laws on inter departmental borrowing. The Auditor General to keep he matter on check and provide a status update during the subsequent audit cycle.

4. Long-Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.81,921,784 as detailed in Note 17 to the financial statements. However, review of trade and other payables ageing analysis revealed pending payments for goods, services and works totaling Kshs.80,746,684 have been outstanding for over 60 days.

This was contrary to Regulation 150(1) of The Public Procurement and Assets Disposal Regulations, 2020 which requires that subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty (60) days from the date of receipt of the invoice.

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

Management Response

Part of the KES 81,921,784 is KES. 60,801,775 in respect of retention funds for the Masinde Muliro Business Centre which are not yet due for payment because the project is not yet completed. The balance of KES. 21,120,009 constitutes pending bills whose payment is ongoing as indicated in table 2 below. Copies of the Retention Schedule and Business Centre Payment Vouchers were attached for the committee verification.

Table 2: Pending bills amounting to KES 21,120,009

	Description	Date Paid	Payables 30th June 2025 in KES
G Ton Co	VAT	Pending	31,631

Eden Wilson	Consultancy Services for Public Participation	Pending	5,331,428
Oringe Waswa & Opany Advocates	Consultancy services for strategic plan	Pending	1,473,200
ICPAK	Session Fees	Pending	59,000
Kenya Institute of Planners	Membership fees	Pending	7,500
Philip Onyango Garage	Motor vehicle Maintenance	Pending	86,000
Sanrol Company	Printing Services	Pending	199,750
Arcorn Ventures Limited	Supply of Stationery (Balance)	Pending	12,200
Siraya Investments	Beautification of Museum Area	Pending	2,949,700
Sabylin Company Ltd	Road Maintenance	Pending	2,457,460
Tindimukha	Assorted Office Furniture	Pending	254,000
Iroko Hotels	CATERING	Pending	62,400
Nyangwesema Supplies	Stationery	04/12/2025	227,100
Josfai Merchants	Supply of Laptops and Printer	04/12/2025	432,700
Jetlink Investment	Supply of Stationery	04/12/2025	232,000
Rachiplus Company Ltd	Supply of Tyres	Pending	680,000
Endebess Masingira Women Supplies	Supply & Delivery of Skip Bins	04/12/2025	662,600
Globwise	Consultancy Services for Preparation of Strategic Plan	Pending	2,487,000
Saisa Group	Maintenance of Machinjoni Dumpsite	Pending	3,474,340

TOTAL	21,120,009
--------------	-------------------

Committee Observations

The Committee observed that; -

- i) the management had pending payments for goods, services and works totaling Kshs.80,746,684 have been outstanding for over 60 days, contrary to Regulation 150(1) of The Public Procurement and Assets Disposal Regulations, 2020.
- ii) The management is in process of paying Ksh 21,120,009, while the remaining balance of 60,801,775 is in respect of retention funds for he Masinde Muliro Business Center which are not due for payment as the project is still not yet complete.

Committee Recommendations

The Committee recommends that the Governor ensures that the Accounting Officer to fast track the repayment of the total amount of Ksh 21,120,009 as pending bills on first charge, and strictly adhere to the provisions of Regulation 150(1) of The Public Procurement and Assets Disposal Regulations, 2020. The Auditor General to keep he matter on check and provide a status update during the subsequent audit cycle.

REPORT ON HE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

1. Lack of Autonomy in Municipality Operations

During the financial year under review, despite having a duly constituted board and a charter, the Municipality remained partly controlled by the County Government of Trans Nzoia, as major operational and financial decisions continue to require county executive approval.

This limits the municipality’s ability to independently exercise its statutory mandate as provided under Section 12 of the Urban Areas and Cities Act, 2011, which states that the board of an area granted the status of a city or municipality under this Act shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name, be capable of doing or performing all other acts or things for the proper performance of its functions in accordance with this Act or any other written law which may lawfully be done or performed by a body corporate.

In the circumstances, the Municipality may fail to execute her mandate effectively and efficiently because of the bureaucratic nature of the reporting system.

Management Response

The Municipality is a specialized agency of the County Government undertaking specific delegated functions on behalf of the County Government. The Municipal Manager is the Accounting Officer of the Kitale Municipality which also has permanent staff for various functions.

Additionally, there are financial transfers to the Municipality's Operations Account that have been carried out and some are under process to enable uninterrupted service delivery by the Municipal Board. Copies of the List of Key Staff in the Municipality, and Transfer Vouchers, were attached for the committee verification.

Committee Observations

The Committee observed that

- i) the Municipality remained partly controlled by the County Government of Trans Nzoia, as major operational and financial decisions continue to require county executive approval, contrary to Section 12 of the Urban Areas and Cities Act, 2011.
- ii) The Municipal Manager is the Accounting Officer of the Kitale Municipality with permanent staff in various departments.

Committee Recommendations

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.**

2. Failure to Appoint a Substantive Municipal Manager

As previously reported, the Management of the Municipality is under a Municipal manager who was appointed by the County Public Service Board vide the letter Ref. No. CGTN/CPSB/II VOL.15/92 of 15 October, 2018. The manager was given a compulsory leave in July, 2023. However, there was no evidence if any disciplinary proceedings were initiated against the manager and if he continues to earn.

At the time of audit in September 2025, the Municipality was under an acting manager who was appointed by the County Secretary on 11 July, 2023 and has been acting for over two (2) years contrary to Section 34(3) of the Public Service Act, 2017 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

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

Management Response

The contract term of the former municipal Manager was 5 years non-renewable and was coming to an end by September 2023. The recruitment process of a substantive Municipal manager is under process, however, for uninterrupted service delivery, the acting mandate for the Acting manager was renewed. Copies of the Appointment of former Municipal Manager and Letter of renewal of the acting Mandate were attached for the committee verification.

Committee Observations

The Committee observed that the Municipality was under an acting manager who was appointed by the County Secretary on 11 July, 2023 and has been acting for over two (2) years contrary to Section 34(3) of the Public Service Act, 2017.

Committee Recommendations

The Governor ensures that the substantive Municipal manager is appointed to enable an independent running of the municipality as delegated by the County Governor in the Municipal Charter.

3. Delay in Completion of the Multi-Storey Business Complex and Lack of Ownership Documents for Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.902,261,637 as disclosed in Note 16 to the financial statements. This includes

Kshs.874,280,383 for the construction of a multi-storey business complex in Kitale town. The multi-year project contract was signed on 25 June, 2018 with a contract period of seven hundred and thirty-one (731) days and the expected completion date of 10 June, 2021. However, land ownership documents on where the business complex was built were not provided for audit. Further, physical inspection carried out on 6 October, 2025 revealed that the contractor was not on site and the project had stalled at 92% completion level. In addition, log book for a tractor with a net book value of Kshs.104,379 was not provided for verification.

In the circumstances, ownership of the land and tractor could not be confirmed and the benefit to the public has not been realized from the amount spent in the construction of the business complex.

Management Response

The County Government is in the process of obtaining ownership documents for the Business Complex Land. We are also in the process of recovering the misplaced Logbook for the Tractor, however the tractor is in use and in the possession of the Kitale Municipality.

The contractor of The Multi-storey Business Complex abandoned site in 2024 and the contract has since come to an end at 95% completion. The county in partnership with the National Government is in the process of completing the pending works by 31st March 2026. The contractor has taken the County for arbitration over the claims as per attached Claimant's Pleadings. Further, joint snagging has been done between the County Project Implementation Committee and the contractor to establish the final accounts. Copies of the Land Ownership Correspondence, Correspondence and Logbook, Claimants Pleadings and Draft snagging reports were provided for the committee verification.

Committee Observations

The Committee observed that;-

- i) The land ownership documents on where the business complex was built were not provided.
- ii) the project had stalled at 92% completion level and the contractor was not on-site.
- iii) The county is in partnership with the National Government in the process of completing the pending works by 31st March 2026.
- iv) log book for a tractor with a net book value of Kshs.104,379 was not provided for verification.

- v) The County Government is in the process of obtaining ownership documents for the Business Complex Land and recovering the misplaced Logbook for the Tractor.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the municipality secures full ownership of the queried properties, plant and equipment and provide a status update to the committee within 60 days of adoption of this report;
- ii. the Accounting Officer ensures that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company to carry out a valuation of all its assets and submit the same to the Auditor-General within 60 days from the adoption of this report;
- iii. the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee within 60 days from the adoption of this report.

CHAPTER THREE: HOSPITALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KITALE COUNTY REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kitale County Referral Level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Christopher Lorot - CECM health

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Kitale County Referral Level 4 Hospital on the following basis; -

1. Inaccuracies in Receivables from Exchange

Transactions The statement of financial position reflects receivables from exchange transactions balance of Ksh. 22,912,567 as disclosed in Note 20 to the financial statements. However, records from SHA and NHIF indicates receivables balances of Ksh. 3,051,710 and Ksh. 77,163,884 respectively.

Further, the supporting schedules together with debtor's policy to guide on debt collection and management were not provided for audit review.

In addition, there was no debtor's ledgers and ageing analysis to explain for how long the debts have remained outstanding. In the circumstances, the accuracy, completeness, existence and recoverability of the accounts receivables from exchange transactions could not be confirmed.

Management Responses

The correct position of receivables for FY 2024/2025 is KES 15,672,727 and KES 7,239,840 from SHA and NHIF respectively totaling KES 22,912,567, and not KES 3,051,710 and KES 77,163,884 as stated in the audit query.

The Management has appointed a debt management and recovery committee to formulate an effective Debt Recovery and management policy.

Copies of the Appointment letters for the debt management and collection committee were attached for the committee verification. The details of ledgers and aging analysis of receivables amounting to Ksh. 22,912,567 explained in Table 1 below; -

TABLE 1: LEDGERS FOR RECEIVABLES ACCOUNT				
SHA ANALYSIS F/Y 2024/2025				
CLAIMS SUBMITTED		CLAIMS PAID		
MONTHS	AMOUNT	DATE	DESCRIPTION	AMOUNT
Jul-24	9,507,810	26/11/2024	CAPITATION PHC	3,228,400
Aug-24	6,489,822	26/11/2024	CAPITATION PHC	4,371,400
Sep-24	8,344,920	16/12/2024	REBATES	572,051
Oct-24	22,000	20/12/2024	REBATES	19,954
Nov-24	853,097	20/12/2024	REBATES	277,204
Dec-24	1,311,700	30/12/2024	REBATES	202,654
Jan-25	1,172,100	4/02/2025	REBATES	502,404
Feb-25	380,250	5/02/2025	REBATES	234,254
Mar-25	587,290	25/02/2025	REBATES	932,204
Apr-25	838,440	12/03/2025	REBATES	16,954
May-25	980,350	26/03/2025	REBATES	9,954
Jun-25	986,670	26/03/2025	REBATES	374,254
		2/04/2025	REBATES	126,895
		2/04/2025	CAPITATION PHC	1,066,940
		3/04/2025	REBATES	26,754
		15/4/2025	REBATES	703,774
		22/4/2025	REBATES	54,854
		24/4/2025	REBATES	106,454
		30/4/2025	REBATES	186,504
		16/5/2025	REBATES	217,408
		23/5/2025	REBATES	923,892
		28/5/2025	REBATES	7,995
		11/6/2025	REBATES	488,921

		17/6/2025	REBATES	88,108
		20/6/2025	CAPITATION PHC	1,061,536
TOTALS	31,474,449			15,801,722
NHIF ANALYSIS				
PREVIOUS RECEIVABLES 2023/2024	PREVIOUS			41,665,963
NHIF REMBURSEMENT	NHIF			34,426,123
Balance as at 30th June 2025	BALANCE			7,239,840
SHA ANALYSIS				
CLAIMS SUBMITTED				31,474,449
CLAIMS REMBURSED				15,801,722
UNPAID CLAIMS				15,672,727
TOTAL UNPAID CLAIMS BOTH SHA AND NHIF				22,912,567
AGING ANALYSIS				
PERIOD	AMOUNT	PERCENTAGE		
LESS THAN 1 YEAR	15,672,727	68.40%		
BETWEEN 1-2 YEARS	7,239,840	31.60%		
Total Outstanding Reported in FS	22,912,567			

Committee Observations

The Committee observed that the company owed SHA and NHIF balances amounting to Ksh. 3,051,710 and Ksh. 77,163,884 respectively. The Management has appointed a debt management and recovery committee to formulate an effective Debt Recovery and management policy. Copies of the Appointment letters for the debt management and collection committee, were provided for the committee verifications.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' schedule to the Auditor-General for verification;**
- ii. the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor general for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle.**

2. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Ksh. 22,523,388 as disclosed in Note 23 to the financial statements. However, supporting documents including bills of quantities, stores ledger, inspection and acceptance certificates, invoices and LPOs/LSOs were not provided for audit review. Further, no reason was given for failure to clear the trade and other payables some of which have been long outstanding.

In the circumstances, the accuracy, regularity and completeness of the trade and other payables balance of Ksh. 22,523,388 could not be confirmed.

Management Response

The payment vouchers with supporting document; copy of LSO/LPO, invoice, inspection and acceptance certificates, were submitted for audit review as per the copies of extract of Management response to the draft audit report and payment voucher with supporting documentation.

Committee Observations

The Committee noted that the Hospital payables balance of Kshs.194,926,613 which have been outstanding for more than one year. The management has entered into structured payment plans with key creditors, and is making payments progressively.

Committee Recommendations

The Committee recommends that; -

- i) the Governor ensures that Accounting Officer engages all entities owed and formulate a payment plan for payables amounting to Ksh. 22,523,388 and file a report on the same to the Senate, and copy the Auditor-General for verification.
- ii) the County Executive Committee Member in charge of Health should continuously monitor the financial performance of the hospital in line with section 184 of the Public Finance Management Act and report on the same to the County Executive Committee, making recommendations on how the Hospital can improve its performance;

3. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Ksh. 7,509,050 as disclosed in Note 22 to the financial statements. However, review of the Hospital records and physical inspection revealed that the Hospital had freehold land, buildings and motor vehicles whose values were not determined for inclusion in the statement of financial position.

In the circumstances, the accuracy, existence and completeness of property, plant and equipment balance of Ksh. 8,024,798 could not be confirmed.

Management Response

The value disclosed in the financial statement reflects only the assets acquired during the year under review. The management is the process of valuing all its assets before onboarding them in the subsequent financial years. As stated in the audit query the hospital owns land, buildings and motor vehicles that were not disclosed in the financial statement. The reason why these assets were not disclosed is that their values are not readily available. A copy of the letter to county commissioner requesting for valuers was submitted for the committee verification.

Committee Observations

The Committee observed that; -

- i) significant assets including land, buildings, motor vehicles are not reflected in the financial statements.
- ii) The Management is in the process of valuing all assets before onboarding them in subsequent financial year, as the hospital has requested valuers from the county commissioner.

Committee Recommendations.

The Committee recommends that; -

- i) The Governor ensures that the Accounting Officer expedites the asset valuation process and complete it within 90 days of adoption of this report by engaging qualified valuers immediately to determine the fair value of all land, buildings, and motor vehicles.
- ii) The Accounting officer updates the fixed assets register to include all hospital assets with proper identification to ensure all assets are properly valued and included in the next financial year's statements
- iii) The Accounting officer ensures implementation of a comprehensive asset management system with unique identification codes, conduct annual physical verification of all assets and reconcile with the register, establish a proper asset maintenance schedule to preserve asset value, and ensure adequate insurance coverage for all assets once valued.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts of Ksh. 97,691,046 and Ksh. 68,350,646 respectively resulting in an underfunding of Ksh. 29,340,400 or 43% of the budget. The underfunding of the Hospital may have affected delivery of medical services to the residents.

Management Response

The effect of strike on hospitals revenue collection and operations resulted in revenue loss of Ksh. 3,698,310 which represented by 3.8%. This is analyzed as per Table 2. Copies of the nurses' strike notice and return to work formula were attached for the committee verification.

S/NO	Item	Total Amount
1	Budget underfunding	29,340,400
2	Less: SHA reported Receivable	22,912,567
	Actual under-funding during the year.	6,427,833

$$210 \text{ days} \times (6,427,833/365) = 17,611$$

Total Revenue lost during the strike period = Ksh 3,698,310 (3.8%)

Committee Observations

The Committee observed that; -

- i) the management had a significant budget shortfall of 43% seriously which affected service delivery as it constrains the hospital's ability to deliver quality medical services

- ii) the Nurses' strike resulted in revenue loss of Ksh. 3,698,310 (3.8% of expected revenue) as the actual underfunding after accounting for the strike impact is Ksh. 6,427,833.
- iii) The budget execution rate was only 70%, indicating either unrealistic budgeting or revenue collection challenges

Committee Recommendations.

The Committee recommends that; -

- i) the County Government should prioritize adequate funding for the hospital to meet approved budget levels
- ii) The Accounting Officer develops a realistic revenue projection based on historical performance and current capacity, implement aggressive revenue enhancement strategies to reduce dependency on exchequer allocations, establish contingency plans to mitigate the impact of industrial actions on revenue collection, conduct quarterly budget performance reviews and take corrective actions promptly.
- iii) The Board of Management should diversify revenue streams beyond SHA/NHIF to reduce dependency on single sources, strengthen revenue collection systems to minimize leakages and align budget estimates with realistic revenue projections and actual capacity.

Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2024 highlighted several issues raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the 2024/2025 audit revealed that the matters listed below remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Cash Withdrawals from Revenue Account without Approval from the Board
2	2023/2024	Deficiencies in Implementation of Universal Health Coverage
3	2023/2024	Weaknesses in Revenue Collection System

Management Response

1. **Cash Withdrawals from Revenue Account without Approval from the Board**
Previously the Revenue collection from all the collecting facilities was controlled centrally at the Department. The Department has since decentralized revenue

collection and all expenditures are approved by the respective boards from facilities. Copies of letters from CECM finance on Authorizing decentralization of revenue collection, and an Extract of Board minutes for approvals, were attached for the Committee verification.

2. Deficiencies in Implementation of Universal Health Coverage

The facility has been reorganized to allow for renovation. All the departments that were reorganized moved along with their staff and medical equipment to avoid interrupting services delivery. The Departments which are still offering services at KCRH such as equipment, renal unit, eye unit, dental unit, mental health, physiotherapy, regional public health laboratory, and comprehensive care Centre have the relevant specialist and medical equipment.

3. Weaknesses in Revenue Collection System

Kitale County Hospital has a health management information system HMIS (MEDBOSS) system server which has a physical external hard disk that backup daily data. The backup mechanism is well established to prevent data loss. Implementation worked but failed later because the system was developed with an outdated platform (VB6.0) and could not catch up with updates with the latest technology that comes up with STK technology. The vendor owns the source code but it's the facility that manages the application since it's not a web-based system. The vendor cannot access the system without the permission from the facility management. Kitale county referral hospital is operating on existing financial laws, internal controls, supervisory approvals and system-based access controls which has ensured transparency and has minimized operational risk in revenue collection.

Committee Observations

The Committee observed that the management failed to implement the recommendations of the auditor general as indicated in the auditor general's certificates

Committee Recommendations.

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 THE LAWFULLNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES.

1. Non-Compliance with the Fiscal Responsibility Principles

During the year under review, the Hospital had an approved annual budget estimate of Ksh. 97,691,046. Included in the annual budget is current expenditure estimate of Ksh. 92,160,046 or 94% and the capital expenditure estimate of Ksh. 5,531,000 or 6% of the approved budget. This was contrary to Regulations 26(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that, in addition to the fiscal responsibility principles set out in section 15(f) of the Act, the following fiscal responsibility principles shall apply in the management of public finances— pursuant to Section 15(5) of the Act, the national government expenditure on development shall be at least thirty percent in line with the requirement under Section 15(2)(a) of the Act. In the circumstances, Management was in breach of the law.

Management Response

The FIF Act 2023 Part II Public Health Facilities Improvement financing on uses of retained funds by the public health facilities states that the retained funds to be used to support public health facilities optimal operation to ensure readily available resources to purchase goods and services, procurement of essential products, commodities and technologies, facilitate primary health care and fund ambulance services for the transfer of patients. And therefore, the funds were budgeted and utilized as stipulated in the FIF Act 2023. A copy of the FIF Act 2023 was attached for the committee verification.

Committee Observations

The Committee observed that; -

- i) the hospital's development expenditure was only 6%, far below the statutory requirement of 30%
- ii) Management justified the allocation citing the Facility Improvement Financing (FIF) Act 2023
- iii) Excessive recurrent expenditure limits the hospital's ability to improve infrastructure and equipment while low capital investment affects the hospital's

long-term capacity and service delivery as this allocation pattern may perpetuate the infrastructure challenges at the facility.

Committee Recommendations.

The Committee recommends that; -

- i) The Governor ensures that the Accounting Officers realigns the budget allocation to comply with the 30% development expenditure requirement, and prepare a multi-year capital investment plan for infrastructure rehabilitation and equipment acquisition
- ii) The Accounting officer prioritizes capital projects that directly enhance service delivery capacity, establishes a dedicated capital development fund ring-fenced from operational expenses
- iii) Include infrastructure renovation and medical equipment procurement in the next budget cycle and engage the County Treasury to secure additional capital grants or loans for development.
- iv) The Auditor-General to monitor compliance with fiscal responsibility principles in all future budgets, in the subsequent financial year audits.
- v) The matter be marked as resolved.

2. Poor Management of Pharmaceuticals and Non-Pharmaceutical Supplies.

Physical verification at the Hospital stores carried out on 29 May, 2025 revealed the following unsatisfactory matters:

a) Expired Drugs

The Hospital had expired drugs, some of which expired in May, 2021. The expired drugs included twenty-five (25) boxes of the co-packed sachets of low ORC with Zinc Sulphates 20mg. The Management did not have an updated record of all the expired drugs with their respective quantities and values. Inquiry from the management revealed that there were no efforts initiated on the disposal or control of the expired drugs.

Management Response

The expired drugs were supplied by KEMSA have been sorted and segregated by management. KEMSA is the only body that was procedurally supposed to dispose of the expired drugs. Management has communicated in this regard but they are yet to respond to the request.

Committee Observations

The Committee observed that; -

- i) The Management did not have an updated record of all the expired drugs with their respective quantities and values, contrary to Section 160 (1,2, &3) of the Public Procurement and Asset Disposal Act, 2015.
- ii) the management had initiated the process of disposing the drugs, by contacting the KEMSA do dispose the drugs, procedurally.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

b) Non-Functioning Module on Pharmaceutical and Non-Pharmaceutical

Despite having a computer system software with the module on the management of the inventory of pharmaceutical and non-pharmaceutical stores, it was established that the module was not functioning and the Management opted for the use of manual mode of management of pharmaceutical and non-pharmaceutical supplies hence exposure to possible errors, omissions and losses.

Management Response

Management uses both manual and system based for inventory management. Pharmaceutical inventories are monitored through the system, while The Non pharmaceuticals are monitored manually. A copy of the MEDBOSS module screen-shot was attached for the committee verification.

Committee Observations

The Committee observed that the hospital uses MEDBOSS system which is currently updated and functional.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

c) Inconsistencies on Bin Card Records

Review of the bin card records for pharmaceutical and non-pharmaceutical stores revealed that some bin card records were not updated for the item received, issued and also the closing inventory, leading to unreliability in pharmaceutical and non-pharmaceutical stocks and reorder levels. This was contrary to Section 160(1, 2 & 3) of the Public Procurement & Disposal Act of 2015 provides that an accounting officer of a procuring entity shall manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continuing utilization of supplies.

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

Management Response

At the time of Audit, some of the Bin cards had not been updated, the bin cards have since been updated and are available for audit review and verification, as per the attached copies of Pharmaceutical and non-pharmaceutical bin cards/stock control.

Committee Observations

The Committee observed that the hospital is currently using updated bin cards.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

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

Review of Hospital records and interviews with Management on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health policy Guidelines due to staff deficits as detailed below:

Inadequate Medical Specialists-Table 1

Item	Level4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	1	15	6
Anesthesiologists	2	0	2	0
General Surgeon	2	0	2	0
Gynecologists	2	1	1	50
Pediatricians	2	0	2	0
Staffing Levels Table				
Radiologists	2	0	2	0
Registered Community Health Nurses	75	26	49	35
Total	101	28	73	28

In addition, the Hospital lacked the necessary equipment and machines as per the Health Policy Guidelines as detailed below;

Services	Level4 Standard	Actuals in the Hospital	Variance	Percentage (%)
----------	-----------------	-------------------------	----------	----------------

Resuscitaire in Labour Ward	2	0	2	0
New Born Unit Incubators	5	0	5	0
New Born Unit Cots	5	0	5	0
Functional ICU Beds	6	0	6	0
High Dependency Units (HDU) Beds	6	0	6	0
Renal Units with at Least 5 Dialysis Machines	5	4	1	80
Two Functional Operational Theatre - Maternity & General	2	0	2	0
Central Sterile Services Department	1	1	0	100
Bed Capacity	150	5	145	97

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

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

Management Response

The facility has been reorganized to allow for renovation. All the departments that were reorganized moved along with their staff and medical equipment to avoid interrupting services delivery.

Committee Observations

The Committee observed that the staff deficit and lack of essential equipment at the hospital was due to reorganization of the services to Wamalwa Kijana Teaching and Referral Hospital.

Committee Recommendations

The Committee recommends that—

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

4. Under-Utilization of Hospital Facilities

Due to the transfer of almost 90% of services to the Wamalwa Kijana Teaching and Referral Hospital, Kitale County Referral Level 4 Hospital has remained largely underutilized with most of the wards, offices, medical examination rooms being empty. Further, the Hospital has a reference laboratory whose total value including laboratory equipment is approximately Ksh. 500,000,000. During its time of full operation before transfer of services, the laboratory used to raise quarterly revenue of approximately Ksh. 3,000,000 from laboratory services. The laboratory has remained largely inactive with valuable equipment lying idle and underutilized.

In the circumstances, the value for money on the facility has not been realized from idle assets.

Management Response

The Regional Public Health Laboratory at KCRH is still active offering services at to Comprehensive Care Centre (CCC), the Tuberculosis (TB) clinic, and the Renal Unit. In addition, the laboratory receives samples from WKTRH, Sub- County Hospitals as well as being a research Centre for KEMRI in the region. Routine test has been moved due to

service reorganization of the facility. Copies of the Workload Report and KEMRI Collaborative Project on Ant-Microbial Resistance Surveillance were submitted to the committee for verification.

Committee Observations

The Committee observed that the hospital laboratory is still serving existing departments of the hospital, including the Comprehensive Care Centre, the Tuberculosis clinic, and the Renal Unit, as well as being used as reference laboratory and a research Centre by KEMRI.

Committee Recommendations

The Committee recommends that the management optimizes the use of facilities in the hospital premises to ensure that there is value for money to the public. The matter be however marked as resolved.

5. Non-Remittance of Public Procurement Capacity Building Levy

The statement of financial performance reflects general expenses and repairs and maintenance costs amounting to Ksh. 13,285,137. However, Management did not deduct and remit the requisite procurement capacity building levy. This was contrary to Section 3(1) of Legal Notice 206 of the Levy Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Absence of System-Based Controls and Configuration Unlike established statutory deductions such as Withholding Tax (WHT) and Retention, the Integrated Financial Management Information System (IFMIS) has not yet been configured to automatically flag, calculate, or deduct the 0.03% Capacity Building Levy. In the absence of automated system logic, the platform processes payments to completion without triggering an alert for the missing deduction, thereby bypassing standard electronic controls.

Committee Observations

The Committee observed that; -

- i) IFMIS system has not been configured to automatically calculate and deduct the 0.03% Capacity Building Levy, which led to non-compliance, as manual tracking of statutory deductions is prone to errors and omissions.

- ii) Non-remittance of the statutory deductions exposed the hospital to penalties and interest charges.

Committee Recommendations

The Committee recommends that; -

- iv) **the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- v) **Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- vi) **Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.**

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

1. Inadequate Controls on Revenue Collection System

Audit of the MEDBOSS revenue collection system at Kitale County Referral Level 4 Hospital revealed the following weaknesses that undermines its general objective towards optimum revenue collections:

- i. Management failed to install and maintain the system server to back up revenue data in case of threat of loss of data. Further the system was not web based.

Management Response

Kitale County Hospital has a health management information system (HMIS) (MEDBOSS) system server and also a physical external hard disk that backup daily data. The backup mechanism is well established to prevent data loss.

Committee Observations

The Committee observed that the hospital has a HMIS system (MEDBOSS) with an external hard disk as a back-up mechanism to prevent data loss, as required by Section 63 (1) (a)-(c) of the Public Finance Management (County Government) Regulations, 2015.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- ii. Despite the integration of the prompt Personal Identification Number (PIN) in the system, it was found not to be functioning.

Management Response

Implementation worked but failed later because the system was developed with an outdated platform (VB6.0) and could not catch up with updates with the latest technology that comes up with STK technology.

Committee Observations

The Committee observed that the PIN is not working as the outdated platform has not been updated to with the STK technology.

Committee Recommendations

The Committee recommends that accounting officer ensures that the system is updated to the latest technology that incorporates the STK technology, for a seamless and effective controls over the revenue collection systems.

- iii. The vendor of the revenue system was still in full control of the source code.

Management Response

The vendor owns the source code but it's the facility that manages the application since it's not a web-based system. The vendor cannot access the system without the permission from the facility management.

Committee Observations

The Committee observed that although the vendor owns the source codes, the facility manages the application, and thus the vendor cannot access the system without the facility management's permission.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- iv. There was lack of established standards, policies and regulations that employees responsible for operations of the revenue collection are required to follow for effective operation of the system and enhanced revenue collection.

Management Response

Kitale county referral hospital is operating on existing financial laws, internal controls, supervisory approvals and system-based access controls which has ensured transparency and has minimized operational risk in revenue collection.

Committee Observations

The Committee observed that the existing financial laws, internal controls and supervisory approvals enhance transparency and minimizes operational risk in revenue collection.

Committee Recommendations

The Committee recommends that the Accounting Officer should enhance the capacity of in-post officers in the hospital revenue collection departments in 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 in revenue collection.

2. Inadequate Fixed Assets Management

Physical verification of fixed assets carried out on 29 May, 2025 at Kitale County Referral level 4 Hospital (KCRH) revealed the following unsatisfactory matters;

- i. KCRH is made up of buildings which include administration block, theatres, pharmacy, morgue, laboratory amongst others. However, the buildings have not been given unique building identification numbers. It was therefore not possible to determine the exact number of buildings in the Hospital.

Management Response

Management acknowledges that buildings in KCRH have not been given unique identification numbers in terms of blocks. However, the buildings have been labeled according to their function and service delivery units. This approach is valid to Hospitals so as to provides a quick insight into the building's purpose and utilization for the general public, such as Ward 4/5, Pharmacy, General theatre, X-Ray, mortuary.

Committee Observations

The Committee observed that the hospital labeled its buildings according to functions, but no unique identification numbers.

Committee Recommendations

The Committee recommends that the management initiates proper controls over the hospital fixed assets, and that the matter be marked as resolved.

- ii. The Hospital did not have vehicles including ambulances. Explanation provided was that all vehicles of undisclosed number were transferred to Wamalwa Kijana County Referral Hospital within the Trans Nzoia County. No formal documentation was provided to confirm the transfers.

Management Response

There are two motor vehicles designated to KCRH: Utility vehicle, Nissan Double cab Hard body, Registration Number GKA 641Q, and Ambulance, Toyota Hiace Van, Registration number 26 CG 033A. The ambulance has not been transferred however its currently serving both KCRH and WKTRH but is mostly stationed at WKTRH due to higher workload.

Committee Observations

The Committee observed that the management still owns the vehicles, but are stationed at Wamalwa Kijana Teaching and Referral Hospital due to the heavier workload at the later hospital.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- iii. Fixed assets including furniture, computers and Hospital equipment were not tagged therefore it was not possible to determine their correct location and state of repair.

Management Response

Assets such as furniture, computers and medical equipment in most departments are not tagged. However, the biomedical engineering department keeps inventory of these assets and follows up on their servicing and maintenance. A notable exception is the Regional Public Health Laboratory where all assets are tagged, and their maintenance records tracked electronically. Management is undertaking will endeavor to replicate this in all other departments in future.

Committee Observations

The Committee noted that the hospitals biomedical assets' location and tracking is done by the biomedical department. However, the assets are yet to be tagged.

Committee Recommendations

The Accounting Officers ensures that all assets are properly tagged to ease identification and management of the assets.

- iv. Comprehensive care clinic unit within the Hospital is managed by the Hospital, Ampath and USAID. It was established that the two (2) donors manage various programs in the unit and also have assets including furniture and office equipment. However, no memorandum of understanding between the Hospital and the donors was provided to disclose the level of engagement with the County Referral Hospital for provision of equipment, furniture and medical services. Further, it was not confirmed how the two (2) entities conduct their programs in terms of budget and expenditure and how it is incorporated in the financial records of the Hospital.

Management Response

The Comprehensive Care Centre (CCC) is operated by the hospital management with support from USAID AMPATH UZIMA which is a USAID funded program. This partnership is guided by a memorandum of understanding between USAID Kenya and the Ministry of Health. USAID AMPATH UZIMA is the implementing partner for USAID in the County. AMPATH has an annual workplan and budget which were co-created with the Department of Health Services and Sanitation. This budget is not incorporated into the hospital's annual budget. It is executed by AMPATH in collaboration with the Department of Health Services and Sanitation, and audited separately by USAID engaged auditors. Copies of the USAID AMPATH UZIMA county workplan co-creation sign-up sheet were attached for the committee verification.

Committee Observations

The Committee observed that the hospital has a memorandum of understanding between USAID Kenya and the County Government. AMPATH is the implementing partner for USAID, and has an annual workplan and budget which was co-created with the department of Health Services and Sanitation.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- v. A number of buildings including social work public health, outpatient department, mother and child, emergency unit, main theater and all wards were closed and not in use, dilapidated with no records of maintenance or cleanliness. Further, Magnetic Resonance Imaging equipment (MRI) was not working.

This was contrary to Section 149(2) of the Public Finance Management Act, 2012 which requires that an accounting officer shall ensure that the respective county government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury or the Auditor-General.

Management Responses

Most building at KCRH were deemed unfit for occupation by public health office and NEMA. Therefore, the department has prioritized to provide a budget for renovations in the financial year 2026/2027. Copies of the Public Health statutory notice and the NEMA improvement order were attached for the committee verification.

Committee Observations

The Committee observed that the hospital has prioritized the renovation of the buildings in question, as they are no longer safe for occupation by the public health officers.

Committee Recommendations

The Committee recommends that the management initiates proper controls over the hospital fixed assets, as required by Section (2) (o) of the Public Finance Management Act, 2012.

3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAMALWA KIJANA TEACHING AND REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Wamalwa Kijana Teaching and Referral Level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Christopher Lorot - CECM health

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Wamalwa Kijana Teaching and Referral Level 4 Hospital on the following basis; -

1. Unexplained Variance in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Ksh. 40,710,579 as disclosed in Note 18 to the financial statements. These receivables pertain to unpaid claims from the Social Health Authority (SHA). According to data retrieved from the SHA portal for Wamalwa Kijana Teaching and Referral Hospital, covering the period from 1 July, 2024 to 30 June, 2025 and accessed on 14 October, 2025, the following amounts were reported:

Category	Amount (Ksh)
Approved Claims	87,176,824.00
Paid Claims Unpaid Claim	60,562,102.00
Unpaid Claims	26,614,722.00

The unpaid claims of Ksh. 26,614,722 differ from the receivables of Ksh. 40,710,579 reported in the statement of financial position resulting in an unexplained variance of Ksh. 14,095,857.

In the circumstances, the accuracy and recoverability of the reported receivables from exchange transactions of Ksh. 40,710,579 could not be confirmed.

Management Responses

The value of outstanding claims on the SHA portal is not static, but keeps on changing as the claims are subjected to the verification process, where some of the claims are paid and

others sent back due to errors and omissions, which are re-submitted later to SHA after corrections and clarification has been made. The amount indicated by the SHA portal when accessed on different dates with the same parameters varies as per the attached copies of the table showing outstanding claims and payments from the SHA portal on different dates, SHA screenshots from the Dashboard, communication between Management and SHA, and table showing outstanding claims and payments from the SHA portal on different dates.

Committee Observations

The Committee observed that some of the hospital's claims to SHA were rejected due to late registration of the claims, inconsistencies in the doctor's license with the doctor details, and forging of several documents.

Committee Recommendations

The Committee recommends that; -

- i) **The Governor ensures that the Accounting Officer ensure strict compliance with the provisions of regulation 90 (1) of Public Finance Management (County Government) Regulations 2015 with respect to monthly reconciliation of bank statements, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**
- ii) **the Management should be trained on internal controls for revenue, cash, bank, and debtors management including how to effectively follow up on the Social Health Insurance Fund (SHIF) claims.**
- iii) **The Governor ensures that the accounting officer reconciles the variance related to the hospitals claims to SHA, in accordance to Paragraph 1 (27) of the International Public Sector Accounting Standards**
- iv) **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;**

2. Financial Disclosure Gap on Property, Plant, and Equipment

The statement of financial position shows property, plant and equipment balance of Ksh. 11,136,744. However, the Management did not disclose land, buildings and motor vehicles in the financial statements.

In the circumstances, the accuracy and completeness of property plant and equipment of Ksh. 11,136,744 could not be confirmed.

Management Response

The figure of Ksh. 11,136,744 relates to asset acquired during the year. The management is in the process of valuing all its assets before onboarding them in the financial statements in the current and subsequent financial years. As stated in the audit query the Hospital owns land, buildings and motor vehicles that were not disclosed in the financial statements. The reason why these assets were not disclosed is that their values are not readily available. Copies of the letter to County commissioner requesting for valuers, and the List of assets were submitted for the committee verification.

Committee Observations

The Committee observed that management has an asset register. However, acquisition of ownership and valuation of assets has not been done. The management is in the process of valuing its land, buildings and motor vehicles, before onboarding them in the financial statements.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budgeted receipts of Ksh. 242,052,309 against actual receipts of Ksh. 77,848,767 resulting to under-funding of Ksh. 164,203,542 or 68% of the budget.

In the circumstances, the underfunding may have negatively impacted on health service delivery to the public.

Management Response

The Hospital had outstanding SHA claims amounting to Ksh 40,710,579 as the 30th June 2025 and actual receipts of Ksh. 77,848,769 representing 49% of the estimated Budget during the period under review as per table 1. The medical fraternity engaged in various industrial strike for the nurses (60 days) county strike and clinical officers (150 days)-national strike totaling to 210 days of services not optimally offered. This hampered service delivery and collection of revenue as projected.

In addition, SHA & NHIF claims were not reimbursed adequately as expected by the end of the period under review and are reported in financial statement as receivables.

Copies of the Strike notice, and the Return-to-work formula.

S/NO	ITEM	AMOUNT	
1	Budgeted Receipts		58,022,837
2	Actuals Receipts	77,848,767	
3	SHA Claims submitted	40,490,789	
4	Revenue from rent of facilities	150,000	
5	Incinerator	69,790	
6	Department of Health Support	<u>65,470,336</u>	
7	Total revenue generated		<u>184,029,682</u>
8	24% Budget underfunding		58,022,837

Committee Observations

The Committee observed that the management had an under-funding of Ksh. 164,203,542 or 68% of the budget.

Committee Recommendations

- iii. **the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and**
- iv. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.**

REPORT ON THE LAWFULLNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES.

1. Incomplete Construction of Wamalwa Kijana Teaching and Referral Hospital

As previously reported under the Trans Nzoia County Executive, the Trans Nzoia County Government planned to construct The Proposed Wamalwa Kijana Teaching and Referral Hospital at a contract sum of Ksh. 1,602,528,713. The contract awarded to a construction firm was to be implemented in two (2) phases, with estimated completion period of Phase 1 – 52 weeks and Phase 2 – 62 weeks. The 350-bed facility was aimed at providing specialized medical services to the public. According to the records provided for audit review. Phase 1 of the project was completed on 23 July, 2016.

Phase 2 of the project commenced on 15 December, 2018 with projected completion date of 30 September, 2020. However, as at June, 2025, the project was incomplete and was approximated at 70% complete even though Ksh. 1,640,000,000 (Approx. 102% of the contract amount) had been paid. The contractor was not on site and had abandoned the project without attending to the snag list of pending works.

Further, the audit confirmed that the Hospital was in use with partial completion certificate. The Management has been conducting piecemeal construction of the Hospital in various departments and a total of Ksh. 9,659,016 was utilized in the financial year 2024/2025. However, the Management has not captured the expenditure in the asset register. In the circumstances, the value for money on the expenditure of Ksh. 1,640,000,000 incurred on the project could not be confirmed.

Management Response

Management noted that this query appeared in the audit report for the year ended June 2024 and was responded to adequately as per the Annex 4a (Page 64-65) The correct cost of repairs and maintenance amounts to Ksh 3,070,871 as indicated by Note 14 of the Audited Financial statements and not Ksh. 9,659,016.

Further cost incurred in maintenance of property building was not captured in the asset register since it's still work-in-progress.

Committee Observations

The Committee observed that the hospital building was in use despite being only at 70% level of completion. The contract sum was paid in full after contract variation, and the contractor had abandoned the work and has not resumed.

Committee Recommendations

The governor should ensure that the accounting officer engages the contractor, to deliberate on completion of the project, in order for the public to realize value for money from the project. The Auditor-General to keep this matter in view in the subsequent audit cycle.

2. Non-Remittance of Public Procurement Capacity Building Levy

During the financial year ended 30 June, 2025, the Hospital paid local purchase orders/local service orders and contracts amounting to Ksh. 75,993,354. However, the Management did not deduct the capacity building levy of 0.03% of the contract amount paid.

This was contrary to paragraph 3(1) of Legal notice 206 of the Levy order, 2023 which states that there shall be paid a Levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Lack of IFMIS Configuration & Automated Flagging. Unlike statutory deductions like Withholding Tax (WHT) or Retention, the Integrated Financial Management Information System (IFMIS) is not currently configured to recognize the 0.03% Capacity Building Levy. Without an automated "logic" in the IFMIS system, the platform allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Observations

The Committee observed that the Hospital failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- vii) the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- viii) Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- ix) Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.**

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

1. Lack of Risk Management Policy

Review of the internal operating environment of the Hospital revealed that the Hospital did not have a risk management strategy contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer shall ensure that—(a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations. In the circumstances, absence of a risk management policy exposes the Hospital to operational vulnerabilities due to unmanaged risks.

Management Response

The hospital uses the County Approved Risk Management Policy Framework. An extract of the Risk Management Policy Framework was attached for the committee verification.

Committee Observations

The Committee observed that the hospital has an approved Risk Management Framework.

Committee Recommendations

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

2. Weak Controls over the Management of Fixed Assets and Under-utilization of Medical Facilities at Kitale County Referral Hospital.

The transfer of 90% of medical services from Kitale County Referral Hospital to Wamalwa Kijana Teaching and Referral Hospital resulted into transfer of movable fixed assets. Among the assets transferred were undisclosed number of vehicles including ambulances. Corroboration of information on medical services and related activities at Kitale County Referral Hospital revealed that the Hospital facilities have remained largely under-utilized including reference laboratory with state-of-the-art laboratory equipment valued at approximately Ksh. 500,000,000.

In the circumstances, proper management of fixed assets, cooperation/synergy and value for money from the two Hospitals could not be confirmed.

Management Response

The Regional public health laboratory was built by the world bank to serve the North Rift region and the surrounding areas. The department of health services and sanitation procures laboratory reagents and supplies that are delivered to the reference laboratory and are used by the various departments that remained at Kitale County Referral Hospital after the transfer of services. Furthermore, the said laboratory receives samples from Wamalwa Kijana Teaching & Referral hospital, the sub-county hospitals and other hospitals within for tests that are not available at these health facilities, as well as being a research Centre for KEMRI in the region. Copies of the Workload report from the laboratory and the KEMRI partnership agreements were submitted for the committee verification.

Committee Observations

The Committee observed that the hospital laboratory is still serving existing departments of the hospital, including the Comprehensive Care Centre, the Tuberculosis clinic, and the Renal Unit, as well as being used as reference laboratory and a research Centre by KEMRI.

Committee Recommendations

The Committee recommends that the management optimizes the use of facilities in the hospital premises to ensure that there is value for money to the public. The matter be however marked as resolved.

CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, Hon. George Natembeya EBS, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Climate Change Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Emmanuel Masungu - Chief Officer, Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Trans Nzoia County Climate Change Fund on the following basis; -

1. Budgetary control and performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual receipts of Ksh. 360,289,277 and Ksh. 350,913,985 respectively for the year ended 30 June 2025 resulting to underfunding of Ksh. 9,375,292 or 3 % of the budgeted funds. Further, the Fund spent an amount of Ksh. 201,214,569 against actual receipts of Ksh. 350,913,985 resulting to under-utilization of Kshs188,942,662 or 53% of actual receipts. The under-funding and underutilization affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The underfunding of Ksh. 9,375,292 was occasioned by under collection of Own Source Revenue (OSR). The under-utilization of Ksh. 136,105,337 was occasioned by water projects (Dams and pipeline extension) that were ongoing as at 30th June 2025 as well as delay in the exchequer releases. Most of these projects are complete and operations. Copies of the Own Source Revenue Report FY 2024-2025, Extract of Bank statement as at 30th June 2025 and the Project Implementation Status as at 30th June 2025, were attached for the Committee verification.

Committee Observations

The Committee observed that; -

- i) the fund suffered an underfunding of Ksh. 9,375,292 or 3 % of the budgeted funds, occasioned by under collection of Own Source Revenue (OSR);
- ii) The fund suffered an under-utilization of Kshs188,942,662 or 53% of actual receipts, due to delay in the exchequer releases, which affected the planned activities and may have impacted negatively on service delivery to the public.

Committee Recommendations

The Committee recommends that; -

- i. the Governor ensures that the County Treasury ensures timely disbursement of funds to the Fund account, to enable it to execute its budget on time for the benefit of the public.
- ii. the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle.
- iii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

1. Procurement Capacity Building Levy Observation

Paragraph 3(1) of Public Procurement Capacity Building Levy Order, 2023 (legal notice no.206) requires that all entities deduct 0.03 % of all procurement purchases during the year. However, the Management of the Fund did not make any deductions during the year. In the circumstance, the Fund Management is in breach of PPRA directive.

Management Response

The reasons for non-deduction and remittance of the Public Procurement Capacity Building Levy include: (a) Absence of System-Based Controls and Configuration to comply with the Public Procurement Capacity Building Levy Order. Unlike established statutory deductions such as Withholding Tax and Retention, IFMIS has not yet been configured to automatically flag, calculate, or deduct the 0.03% Capacity Building Levy.

In the absence of automated system logic, the platform processes payments to completion without triggering an alert for the missing deduction, thereby bypassing standard electronic controls. (b) Exemption as per the Legal Notice No. 206. The FLLOCA program funds are

fully financed by development Partners and thus exempted from paying Public Procurement Capacity Building Levy order. A copy of the Legal Notice No. 206 (Section 8) was attached for the committee verification.

Committee Observations

The Committee observed that the fund management failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- i) the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- ii) Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- iii) Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.**

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY NAWIRI FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, Hon. George Ntembeya EBS, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Nawiri Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Emmanuel Masungu - Chief Officer, Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Unqualified Opinion on the financial statements of the Trans Nzoia County Nawiri Fund on the following basis; -

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual receipts of Ksh 12,628,000 and Ksh 1,906,955 respectively resulting in an underfunding of Ksh 10,721,045 or 85% of the budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The underfunding was as result of under collection of own source revenue and budget reduction of Ksh 258,092,450. However, the underfunding did not affect the planned activities. It is a revolving fund. The budgetary allocation was meant to boost the capital base. An extract of the Approved Budget 2024/2025 and copies of County Allocation of Revenue Act, 2024 and Own Source Revenue Performance 2024/2025 were attached for the committee verification.

Committee Observations

The Committee observed that the fund suffered an underfunding of Ksh 10,721,045 or 85% of the budget due to under collection of own source revenue and budget reduction, which consequently affected the planned activities and may have impacted negatively on service delivery to the public.

Committee Recommendations

The Committee recommends that; -

- i. the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle.
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

Unresolved Prior Year Matters

The audit report for the year ended 30th June 2024 highlighted several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance respectively. Review of the status during the 2024/2025 audit revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Lack of an Insurance Policy for the Loans Disbursed
2	2023/2024	Irregular Internal Borrowing
3	2023/2024	Long Outstanding Unaccounted Imprest
4	2023/2024	Long Outstanding Receivables from Exchange Transactions

Management Response

	Financial Year	Audit Issue	Management Response	Status
1	2023/2024	Lack of an Insurance Policy for the Loans Disbursed		Resolved
2	2023/2024	Irregular Internal Borrowing	Management has made the necessary follow up on the respective borrowers to have the funds reimbursed	
3	2023/2024	Long Outstanding Unaccounted Imprest	Management has made the necessary follow up on the named individuals to have the imprest refunded	

4	2023/2024	Long Outstanding Receivables from Exchange Transactions	Management is in the process of having the unperforming loans written off	
---	-----------	---	---	--

Committee Observations

The Committee observed that the management has made progress in deliberating on the audit recommendations on the unresolved prior year issues as raised by the Auditor General in the Financial Year 2023/2024.

Committee Recommendations

The Committee recommends that—

- i) the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and
- ii) the Governor ensures the accounting officer submits a detailed status report to the Senate, and copy to Auditor General, on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report,

REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Default in Repayments of Loans and Failure to Insure the Loans Disbursed

The statement of financial position reflects long term receivables from exchange transactions balance of Ksh 16,786,083 as disclosed in Note 7 to the financial statements. The balance includes loans amounting to Ksh 1,111,621 disbursed between 2016 and June 2024 which has remained outstanding to date.

This was contrary to section 14(5) of the Trans Nzoia County Nawiri Fund Act 2015 which states that where a loanee and a guarantor who has been notified by the Board under subsection 4(a) and (b) fails or refuses to repay such loan together with any interest accrued thereon, the loanee and guarantor shall be guilty of an offence and liable to civil proceedings in accordance with the provisions of the Act.

Further as disclosed in Note 7 to the financial statements, the total receivables from exchange transactions excluding the inter-entity lending is a balance of Ksh 62,527,827

which management has failed to take an insurance cover contrary to section 10(1) of the Trans Nzoia County Nawiri Fund Act, 2015 which gives power to the Board to undertake actions necessary for proper performance of its functions and sub-section 2(h) which gives authority to the Board to take out insurance cover to mitigate against unfavorable occurrences such as death, incapacity or inability to pay.

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

Management Response

The outstanding receivables of Ksh 1,111,621 was disbursed between 2016 and 2020 before the current administration. The current administration has revamped the fund through LSO/LPO financing model financing that is linked via the bank and IFMIS system to facilitate automatic recovery of loaned amounts.

An extract of board minutes discussing loan insurance and copies of Demand letters issued out and Loan Schedules and Request to write off debts were attached for the committee.

Committee Observations

The Committee observed that; -

- i) the fund management failed to recover long outstanding loans amounting to Ksh 1,111,621, contrary to section 14(5) of the Trans Nzoia County Nawiri Fund Act 2015;
- ii) the fund management failed to insure loans disbursed amounting to Ksh 62,527,827 which management has failed to take an insurance cover contrary to section 10(1) of the Trans Nzoia County Nawiri Fund Act, 2015.

Committee Recommendations

The Committee recommended that; -

- i. the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and
- ii. The Accounting Officer to undertake a detailed analysis of its long outstanding loans, and with the Board's approval, write off the irrecoverable loans in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.

2. Non -Recovery of Long Outstanding Imprest

Review of documents revealed long outstanding temporary imprest amounting to Ksh 2,900,000 which was issued to two (2) officers at the Department of Finance in Trans Nzoia County Government on 8th July, 2015.

The imprest has remained outstanding for more than ten (10) years with no recovery measures being instituted on the imprest holders. This was contrary to Regulation 93(6) of the Public Finance Management (County Governments) Regulations, 2015 which provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank of Kenya rates.

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

Management Response

The Management issued demand letters to the respective officers to have the monies reimbursed. A copy follows up letter and Request to follow up unaccounted for Imprest were attached for the committee verification.

Committee Observations

The Committee observed that the fund management had a long outstanding temporary imprest amounting to Ksh 2,900,000 which was issued to two (2) officers at the Department of Finance in Trans Nzoia County Government.

Committee Recommendations

The Committee recommends that; -

- iii. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits an approved copy of the Imprest Recovery 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 that the Accounting Officer, within 60 days of the adoption of this report, puts in place recovery measures for the outstanding imprest amount with clear timelines, as required by Regulation 93 (6) of the Public Finance Management (County Government) Regulations, 2015. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle.**

3. Non- Renewal of the Fund for Continued Operations

Review of documents revealed that the Fund was established in May 2015 with an initial approval for operation for a period of ten (10) years. However, the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly.

This was contrary to Regulation 19(1)(i) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the initial approval for the establishment of a county public fund shall be for a maximum period of ten (10) years, beyond which the County Executive Committee and County Assembly approvals shall be sought.

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

Management Response

Management has reviewed the Trans Nzoia Nawiri Fund Act and Submitted the County Assembly. A copy of reviewed Act forwarded to the County Assembly was attached for the committee verification.

Committee Observations

The Committee observed that; -

- i) the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly, contrary to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015.
- ii) The fund management had revised the Act and forwarded to the County Assembly for approval.

Committee Recommendations

The Committee recommends that the management fastens the approval of the bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act. The Auditor General to keep this mater on check during the subsequent financial year audit, to confirm compliance.

4. Non-Remittance of Public Procurement Capacity Building Levy

Review of documents revealed that Management did not deduct and remit the public procurement capacity building levy. This was contrary to Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of

zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Absence of System-Based Controls and Configuration: Unlike established statutory deductions such as Withholding Tax and Retention, IFMIS has not yet been configured to automatically flag, calculate, or deduct the 0.03% Capacity Building Levy.

In the absence of automated system logic, the platform processes payments to completion without triggering an alert for the missing deduction, thereby bypassing standard electronic controls.

Committee Observations

The Committee observed that the fund management failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- ii. Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- iii. Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are paid on time.**

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, Hon. George Natembeya EBS, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Youth and Women Development Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Unqualified Opinion on the financial statements of the Trans Nzoia County Youth and Women Development Fund on the following basis; -

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1.1. Non-Recovery of Long Outstanding Loans

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.75,726,461 and Interest receivable from exchange transactions of Kshs.8,601,400 which have remained outstanding from the financial year 2013/2014. No evidence of the efforts made to recover the amounts was provided for audit. The non-recovery of the outstanding loans contravenes section 29 (3) of Trans Nzoia County Youth and Women Development Fund Act, 2014 which states that, any unrepaid loan including, administrative management fee thereon, shall be recoverable by the Board as a civil debt, without prejudice to the Board's right of realization of any security advanced in securing the loan.

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

Management Response

The following measures have been taken;

- a) Demand notices have been issued to loan defaulters
- b) A debt recovery committee has been appointment
- c) Debt recovery committee Inception minutes

Copies of Demand notice, Appointment letters, and Inception Minutes were submitted for the committee verification.

Committee Observations

The Committee observed that loans amounting to Kshs.8,601,400 which have remained outstanding from the financial year 2013/2014, contrary to section 9 (3) of Trans Nzoia County Youth and Women Development Fund Act, 2014.

Committee Recommendations

The Committee recommended that; -

- i. 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, in line with Section 9 (3) of the Trans Nzoia County Youth and Women Development Fund Act, 2014. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and
- ii. The Accounting Officer to undertake a detailed analysis of its long outstanding loans, and with the Board's approval, write off the irrecoverable loans in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.

1.2 Lack of an Approved Budget

During the financial year under review, the management of the Fund did not prepare a budget in compliance with the budget guidelines. This was contrary to section 24 (1) of the Trans Nzoia County Youth and Development Fund Act, 2014 which states that at least three months before commencement of each financial year, the Board shall cause to be prepared estimates of the revenue and expenditure of the Fund for that year.

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

Management Response

The objective of the fund is similar with those of the Nawiri fund. Plans are underway to establish a social empowerment fund to take care of the vulnerable citizens in the county.

Committee Observations

The Committee observed that; -

- a. the fund failed to prepare a budget in compliance with the budget guidelines, as required by section 24 (1) of the Trans Nzoia County Youth and Development Fund Act, 2014.

- b. The fund management had revised the Act to establish the Social Empowerment Fund, and had forwarded the bill to the County Assembly for approval.

Committee Recommendations

The Committee recommends that the management fastens the approval of the bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act. The Auditor General to keep this mater on check during the subsequent financial year audit, to confirm compliance.

1.3 Continued Operation of the Fund Without Renewal of Approval

The Trans Nzoia County Youth and Women Fund was established in 2014 with an initial approval for a period of ten (10) years. However, the fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly as required under regulation 197 (1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the initial approval for the establishment of a County Public Fund shall be for a maximum period of ten (10), years beyond which the County Executive Committee and County Assembly Approvals shall be sought.

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

Management Response

Plans are underway to establish a social empowerment fund to take care of the vulnerable citizens in the county.

Committee Observations

The Committee observed that; -

- i) the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly, contrary to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015.
- ii) The fund management had revised the Act to establish the Social Empowerment Fund, and had forwarded the bill to the County Assembly for approval.

Committee Recommendations

The Committee recommends that the management fastens the approval of the reviewed bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act, pursuant to Regulation 197 (1) (i) of the Public Finance

Management (County Governments) Regulations, 2015. The Auditor General to keep this matter on check during the subsequent financial year audit, to confirm compliance.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Lack of an Internal Audit Function

The Fund did not have an internal audit function but relied on audit services from internal audit department of the County Executive of Trans Nzoia.

However, there was no evidence of an internal audit activity conducted during the financial year under review hence there were no internal audit reports, audit work plans, or engagement documentation. were availed for audit review.

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

Management Response

Copies of the Internal audit report, Work Plans, Approval Minutes and Engagement Letter were availed for the committee verification.

Committee Observations

The Committee observed that the management has established an internal functional audit function.

Committee Recommendations

The Committee recommends that the matter be marked as addressed.

Lack of a Substantive Board

Review of documents revealed that all the Board members' terms expired on 30 June 2018, while a new Board has not been constituted. Further, the Fund did not have a succession plan in place to cushion it against management and operational gaps.

In the circumstances, the effectiveness of the Board to effectively govern the Fund could not be confirmed.

Management Response

Plans are underway to establish a social empowerment fund to take care of the vulnerable citizens in the county.

Committee Observations

The Committee observed that the management is in the final stages of establishing the Social Empowerment Fund to cushion the vulnerable citizens in the county.

Committee Recommendations

The Committee recommends that the management fastens the approval of the reviewed bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act, pursuant to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015. The Auditor General to keep this mater on check during the subsequent financial year audit, to confirm compliance.

4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY ELIMU BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Elimu Bursary Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers —

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Unqualified Opinion on the financial statements of the Trans Nzoia County Youth and Women Fund on the following basis; -

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts of Ksh. 125,000,000 and Ksh. 104,451,795 respectively resulting in an underfunding of Ksh. 20,548,205 or 16% of the budgeted funds.

Further, the Fund spent an amount of Ksh. 42,545,431 against actual receipts of Kshs104,451,795 resulting in under-utilization of Ksh. 61,906,364 or 59% of actual receipts.

The under-funding and underutilization of funds affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The Under- Funding and underutilization of Funds was as result of Under collection of Own Source Revenue Ksh. 136,105,337 and Reduction in County Budget by Ksh 258,092,450. Copies of the Budget FY 2024/2025, CARA act 2024, and Own Source Revenue Performance Report FY 2024-2025 were attached for the committee verification.

Committee Observations

The Committee observed that the fund suffered an underfunding of Ksh. 20,548,205 or 16% of the budgeted funds and an under-utilization of Ksh. 61,906,364 or 59% of actual receipts due to Under collection of Own Source Revenue and a reduction in County Budget.

Committee Recommendations

The Committee recommends that;-

- i) the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle;**
- ii) the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Failure to Comply with Bursary Disbursement Guidelines

Review of documents revealed that Management disbursed bursaries totaling Ksh. 35,927,395 to secondary schools during the year under review.

However, there was no evidence of allocation of bursaries to physically challenged and students in the vocational colleges.

This was contrary to section 11 (9) of the Trans Nzoia Elimu Bursary Fund Act, 2014 which requires that for each disbursement, the Board shall set aside a sum of at least five per centum (5%) of the total allocation to cater for the physically challenged and a sum of at least thirty per centum (30%) of the total allocation to cater for students in the vocational colleges.

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

Management Response

A total number of 280 PLWD who applied for the Bursary, were all issued with bursaries totaling to 1,349,000/= (3.75%). Further, due to the demand from secondary schools whose exams were on-going. Priority was given to secondary schools' needy students to enable them sit for exams.

The management anticipated that remaining balance was to cater for Vocational colleges which was later affected by budget cuts and under collection of own source revenue.

Copies of the List of all PLWD students allocated Ksh. 1,349,000, CARA Act 2024, and Budget 2024/2025 were attached for the committee verification.

Committee Observations

The Committee observed that the management failed to submit evidence to support allocation of 5% of the total allocated bursaries amount to physically challenged and students in the vocational colleges, as required by Section 11 (9) of the Trans Nzoia Elimu Bursary Fund Act, 2014.

Committee Recommendations

The Committee recommends that the management adheres to Section 11 (9) of the Trans Nzoia Elimu Bursary Fund Act, 2014, by ensuring that 5% of the total allocated amount is allocated to physically challenged students. The Auditor General keeps this matter in view during the subsequent financial year audit.

2. Failure to Gazette Ward Bursary Committees

Review of documents revealed that the ward bursary committees did not meet during the financial year under review and were not gazetted. This was contrary to Section 12 (4) of Trans Nzoia Elimu Bursary Fund Act, 2014 which requires that the executive committee member for education shall cause their names to be published in the county gazette. Further, the priority lists of proposed beneficiaries by each village to the ward bursary committees were not provided for audit review.

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

Management Response

There was no new vetting of the Elimu Bursary, the disbursement was a continuation of the previously vetted applicants.

Committee Observations

The Committee observed that the ward bursary committees did not meet during the financial year under review and were not gazette. The management is in the process of renewing the contracts of the existing board members.

Committee Recommendations

The Committee recommends that the matter be marked as resolves.

3. Operation of County Public Fund without Renewal of Approval

The Fund was established in 2014 with an initial approval for a period of ten (10) years. However, the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly contrary to Regulation 197(1) of the Public Finance Management (County Government)

Regulations, 2015 which requires that the initial approval for the establishment of a county public fund shall be for a maximum period of ten (10) years, beyond which the county Executive committee and county Assembly shall be sought.

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

Management Response

The County government is currently operating on the signed Intergovernmental participatory agreement to operationalize the issuance of bursary. A copy of the Intergovernmental Agreement was attached for the committee verification.

Committee Observations

The Committee observed that; -

- i) the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly, contrary to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015.
- ii) The fund management had submitted the reviewed bill to the County Assembly for approval, and is currently using the signed Intergovernmental agreement to operationalize the issuance of the bursary.

Committee Recommendations

The Committee recommends that the management fastens the approval of the reviewed bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act, pursuant to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015. The Auditor General to keep this matter on check during the subsequent financial year audit, to confirm compliance.

4.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Trans Nzoia County, **Hon. George Ntembeya EBS**, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers —

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Trans Nzoia County Executive Car Loan and Mortgage Fund on the following basis; -

1. Unsupported Current Receivables from Exchange Transaction

The statement of financial position reflects current portion of receivables from exchange transaction balance of Kshs.2,247,949 as disclosed in Note 10 to the financial statements. However, supporting ledgers and schedules for the balance were not provided for audit review.

In the circumstances the accuracy and completeness of current portion of receivables from exchange transaction balance of Ksh. 2,247,949 could not be confirmed.

Management Response

The supporting ledger and schedule of Kshs.2,247,949 were availed to the Auditor during the management response to the draft audit report. Copies of the Management response Letter and Ledger and Schedules were attached for the Committee verification.

Committee Observations

The Committee noted that the management failed to submit supporting ledgers and schedules for the exchange transaction balance of Kshs.2,247,949, for audit review. However, the documents were later availed during the exit meeting with the auditors.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Unsupported Long-Term Receivables from Exchange Transactions

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.94,711,265 as disclosed in Note 10 to the financial statements. However, supporting ledgers and schedules for the balance were not provided for audit review.

Further, review of opening balance records from the Fund bank account revealed discrepancies in outstanding loans of two (2) members totaling to Ksh. 12,200,000 which were not included in the closing balance.

Further, a total of eighty-three (83) amortization schedules were provided for fifty-nine (59) officers, an indication of undocumented loan adjustments and possible issue of multiple loans to officers.

In the circumstances, the accuracy and completeness of long-term receivables from exchange transactions balance of Ksh. 94,711,265 could not be confirmed.

Management Response

- i) The supporting ledger and schedule of Kshs.94,711,265 were availed to the Auditor during the management response to the draft audit report.
- ii) The two officers outstanding loan balance of Kshs.12,200,000 was included in the closing balance in the amended financial statement during the Management Response to the draft audit report.
- iii) There were no multiple issuances of loan to officers. The reason for Eighty-three (83) amortization schedule against the fifty-nine (59) officer was due to shortage of funds against the loan application resulting to issuance of loans in instalment. Further some officers benefited from both Car Loan and Mortgage.

Copies of the Ledger and Schedule and an Extract of the Amended Financial Statement and the Loan issuance Schedule were attached for the committee verification.

Committee Observations

The Committee noted that; -

- i) the management failed to submit supporting ledgers and schedules for the exchange transaction balance of Kshs.94,711,265, for audit review. However, the documents were later availed during the exit meeting with the auditors.
- ii) There were discrepancies in outstanding loans of two (2) members totaling to Ksh. 12,200,000 which were not included in the closing balance. However, this amount was included in the closing balance in the submitted amended financial statement.

- iii) There was an indication of undocumented loan adjustments and possible issue of multiple loans to officers. However, the management explained satisfactorily that it was instead an issuance of the loans in installments, as per the verified loan issuance schedule.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

3. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.55,000,000 as disclosed in Note 12 to the financial statements. The balance is in respect of a loan from a local bank taken on 27 March, 2023 for the provision of administration services to the Scheme Fund out of which it provided Kshs.50,000,000 to the Fund.

However, Management recognized the liability into the financial statements at a higher amount of Kshs.55,000,000 hence increasing the liability by Kshs.5,000,000. No explanation or supporting documents was given for the additional increase in liability.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions of Kshs.55,000,000 could not be confirmed.

Management Response

Ksh. 5,000,000 was a liability brought forward from the previous audit certificate in relation to an approved loan applications form that remained un-serviced. Copies of the Loan applications were availed for the Committee verification.

Committee Observations

The Committee observed that; -

- i) the management failed to provide supporting documents to explain an additional increase in a loan liability amounting to Ksh 5,000,000 from a local bank taken on 27 March, 2023 for the provision of administration services to the Scheme Fund.
- ii) The amount was a liability brought forward from the previous audit certificate in relation to unapproved loan applications that remained un-serviced.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with Section 9(1)(e) of the

Public Audit Act, Cap.412B, and Section 149 (2) (c) of the Public Finance Management Act, 2012, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Emphasis of Matter

Budgetary Control and Performance

The statement of Comparison of budget and actual amounts reflects a final income budget of Kshs.28,550,000 while actual income total was Kshs.3,382,261 resulting in a shortfall of Kshs.25,167,739 or 88% of the budget.

The shortfall in income may have negatively affected planned programmes of the Fund.

Management Response

The underfunding was occasioned by the shortfall in Own source Revenue Kshs.136,105,337 and Counties' budget reduction on the equitable share of Ksh. 258,092,450. Extracts of the Budget, CARA 2024 and Revenue Performance Report were attached for the Committee verification.

Committee Observations

The Committee observed that the fund suffered an underfunding of Kshs.25,167,739 or 88% of the budget which might have negatively affected planned programmes of the Fund.

Committee Recommendations

The Committee recommends that; -

- i) the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle.**
- ii) the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

Basis for Conclusion

1. Defaulted Loan Repayments

Review of records indicated that twenty-eight (28) officers had ongoing mortgage recoveries, while five (5) officers were in default with outstanding balances of Kshs.7,000,000 which included one (1) officer whose loan of Kshs.6,000,000 had been dormant since August 2022 with no recovery action being initiated.

This was contrary to Regulation 19 of Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund Regulations of 2023 which provides that the Committee may call in a loan and in default sell the motor vehicle or charged property by public auction.

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

Management Response

The management instituted measure to the recover the loans from the affected officer and so far, the amount has been recovered. A copy of the Bank statement Extract was attached for the committee verification.

Committee Observations

The Committee observed that the management had recovered the outstanding loans of five (5) officers with outstanding balances of Kshs.7,000,000 which were in default, as required by Regulation 19 of Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund Regulations of 2023.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Failure to Secure the Loans Issued

Review of records revealed that the Fund had loan portfolio totaling to Kshs.192,465,000 which comprised of car loan amount of Kshs.11,700,000 and mortgage of Kshs.180,765,000 that had been issued to thirty-five (35) officers. However, the minutes of the approving committee were not provided for audit.

In addition, the loans issued did not have securities contrary to Regulations 17(1) of The Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2023 which provides that a County Government shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property.

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

Management Response

The application forms, committee loan approval minutes were provided for audit review during management response to Management Letter. An extract of the Committee's loan Approval minutes were attached for the committee verification.

Management instituted measures to secure Log books and Title deeds. Copies of Ownership documents were also attached for the Committee verification.

Committee Observations

The Committee observed that; -

- i) the minutes of the approving committee to approve car loan amount of Kshs.11,700,000 and mortgage of Kshs.180,765,000 issued to thirty-five (35) officers were not provided for audit.
- ii) the loans issued did not have securities contrary to Regulations 17(1) of The Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2023.

Committee Recommendations

- i) **the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**
- i) **the Accounting Officer ensured that the issued loans are secured, as required by Regulations 17(1) of The Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2023. The Auditor-General should review the implementation of the insurance measures put in place and provide a status update on the matter in the subsequent audit cycle.**

3. Issuance of Multiple Loans

Review of the loan schedules revealed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 despite the Fund policy allowing only one (1) facility per officer. There was no evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement.

This was contrary to the scheme's objectives of equitable benefit distribution and financial sustainability.

In the circumstances, the Scheme Fund ability to utilize the resources effectively, equitably and sustainably could not be confirmed.

Management Response

The were no multiple issuances of loan to officers. The twelve (12) officers were issued with loan in instalments due to shortage of funds against the loan application appearing as multiple loans. Further, some officers benefited from both Car Loan and Mortgage. A copy of the Loan issuance Schedule was attached for the Committee verification.

Committee Observations

The Committee observed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 without evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement. However, it was later noted that the loans were issued with loan in instalments due to shortage of funds against the loan application, appearing as multiple loans, while some officers benefited from both Car Loan and Mortgage.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Unfair Issuance of Multiple Loans to Individuals

Review of the loan schedules revealed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 despite the Fund policy allowing only one (1) facility per officer. There was no evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement. This was contrary to the scheme's objectives of equitable benefit distribution and financial sustainability.

In the circumstances, the Scheme Fund ability to utilize the resources effectively, equitably and sustainably could not be confirmed.

Management Response

The were no multiple issuances of loan to officers. The twelve (12) officers were issued with loan in instalments due to shortage of funds against the loan application appearing as multiple loans. Further, some officers benefited from both Car Loan and Mortgage. A copy of the Loan issuance Schedule was attached for the Committee verification.

Committee Observations

The Committee observed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 without evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement. However, it was later noted that the loans were issued

with loan in instalments due to shortage of funds against the loan application, appearing as multiple loans, while some officers benefited from both Car Loan and Mortgage.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

REPUBLIC OF KENYA



THE SENATE
THIRTEENTH PARLIAMENT – FIFTH SESSION

REPORT OF THE SELECT COMMITTEE ON COUNTY PUBLIC INVESTMENTS AND SPECIAL FUNDS ON THE CONSIDERATION OF THE AUDIT REPORTS OF TRANS NZOIA COUNTY WATER COMPANY, HOSPITALS, MUNICIPALITIES AND FUNDS FOR THE FINANCIAL YEAR 2024/2025.

SECTOR	NO.	ENTITY
WATER COMPANY	1	TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITIES	1	KITALE MUNICIPALITY
HOSPITALS	2	KITALE COUNTY REFERRAL LEVEL 4 HOSPITAL
		WAMALWA KIJANA TEACHING AND REFERRAL HOSPITAL
FUNDS	5	TRANS NZOIA COUNTY CLIMATE CHANGE FUND
		TRANS NZOIA COUNTY NAWIRI FUND
		TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND
		TRANS NZOIA COUNTY ELIMU BURSARY FUND
		TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND

MARCH, 2026

TABLE OF CONTENTS	
ACRONYMS/ABBREVIATIONS	4
DEFINITION OF TERMS	5
PREFACE	6
COMMITTEE MEMBERSHIP	7
ESTABLISHMENT OF THE COMMITTEE	8
EXECUTIVE SUMMARY	9
REPORT STRUCTURE	10
GENERAL OBSERVATIONS FOR TRANS NZOIA WATER COMPANY	11
GENERAL RECOMMENDATIONS FOR TRANS NZOIA WATER COMPANY	11
GENERAL OBSERVATIONS FOR THE MUNICIPALITY	13
GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY	13
GENERAL OBSERVATIONS FOR HOSPITALS	14
GENERAL RECOMMENDATIONS FOR HOSPITALS	15
GENERAL OBSERVATIONS FOR THE FUNDS	17
GENERAL RECOMMENDATIONS FOR THE FUNDS.	17
ACKNOWLEDGEMENTS	19
CHAPTER ONE: WATER COMPANY	22
1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025. 22	
CHAPTER TWO: MUNICIPALITY	32
2.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KITALE MUNICIPALITY FOR THE FINANCIAL YEAR 2024/2025.	32
CHAPTER THREE: HOSPITALS	45
3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KITALE COUNY REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.	45
3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAMALWA KIJANA TEACHING AND REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.	66
CHAPTER FOUR: FUNDS	75
4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025.	75
4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY NAWIRI FUND FOR THE FINANCIAL YEAR 2024/2025.	79

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025.....86

4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY ELIMU BURSARY FUND FOR THE FINANCIAL YEAR 2024/202591

4.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR 2024/202595

ACRONYMS/ABBREVIATIONS

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

DEFINITION OF TERMS

1. **Unqualified opinion:** This refers to a clean opinion which is the most desirable in which the auditor states that the financial condition, position, and operations of an organization are fairly presented in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).
2. **Qualified opinion:** This is an opinion expressed by the auditor if the financial statements appear to contain a small deviation from Generally Accepted Accounting Principles (GAAP) but are otherwise fairly presented. It is also rendered if the organisation's management limits the scope of audit procedures.
3. **Adverse opinion:** This refers to an opinion issued when there are material exceptions to Generally Accepted Accounting Principles (GAAP) that affect the financial statements as a whole, and the auditor indicates that the financial statements are not presented fairly.
4. **Disclaimer:** This is an opinion given by the auditor when there is a significant limitation in the access to audit information and documentation, and inadequate cooperation by the organizational management in the audit process.
5. **Accountability** – This refers to the assurance that an individual or a group will be held responsible for their actions or inactions.
6. **Non-Revenue Water:** Non-Revenue Water refers to the difference between the amount of water put into the distribution system and the amount of water billed/unbilled as authorized consumption. It is usually attributed to physical losses such as leakages, bursts, and overflows through the existing old and dilapidated water supply network, and 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 Trans Nzoia County water company, hospitals, a municipality, and Funds, for the Financial Year 2024/2025. The entities considered include Trans Nzoia Water and Sewerage Company Limited (TRANSWASCO), Kitale Municipality, Kitale County Referral Level 4 Hospital and the Wamalwa Kijana Teaching and Referral Hospital, Trans Nzoia County Climate Change Fund, Trans Nzoia County Nawiri Fund, Trans Nzoia County Youth and Women Development Fund, Trans Nzoia County Elimu Bursary Scheme Fund, and Trans Nzoia County Executive Car Loan and Mortgage Fund. The Governor of Trans Nzoia County, accompanied by relevant officials, appeared before the Committee to respond under oath to audit queries raised by the Auditor-General in the respective reports.

COMMITTEE MEMBERSHIP

The membership of the Committee comprises of the following Senators-

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

COMMITTEE SECRETARIAT

- | | |
|------------------------------|----------------------------|
| 1. Mr. Yussuf Shimoy | - Clerk Assistant I |
| 2. Mr. Erick Njogu | - Clerk Assistant II |
| 3. Mr. Godfrey Nyaga | - Clerk Assistant III |
| 4. Mr. Khatib Omar | - Clerk Assistant III |
| 5. Mr. Kennedy Owuoth | - Fiscal Analyst |
| 6. Mr. Jeremy Chabari | - Legal counsel |
| 7. Mr. Erick Ososi | - Research Officer I |
| 8. Ms. Linet Aseka | - Research Officer III |
| 9. Mr. Martin Mulandi | - Research Officer III |
| 10. Mr. Peter Katana 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' enoh | - Media Relations Officer. |
| 15. Mr. Victor Kimani | - Audio officer |
| 16. Mr. Fredick Okola | - Serjent-at-arms |

ESTABLISHMENT OF THE COMMITTEE

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

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

EXECUTIVE SUMMARY

In the execution of its mandate, the Committee relied on the Auditor-General's reports on the audited Accounts of Trans Nzoia Water Company, the municipality, hospitals, and Funds for the Financial year 2024/2025 (1st July 2024 to 30th June 2025) as the primary documents for the investigations. The Committee invited the Governor of Trans Nzoia as the Chief Executive Officer pursuant to Article 179(4) as a witness to respond to the audit queries raised in the reports under consideration.

The Committee received both written and oral evidence from the Governor, accompanied by relevant county officials, in response to the various audit queries raised by the Auditor-General in the reports under consideration on various dates.

This report presents the findings and recommendations of the Select Committee on County Public Investments and Special Funds following its consideration of the Auditor-General's reports on nine (9) entities in Trans Nzoia County for the Financial Year 2024/2025. The entities covered are: One (1) water company – Trans Nzoia Water and Sewerage Company (TRANSWASCO), one (1) municipality – Kitale Municipality, two (2) Hospitals – Kitale County Referral Level 4 Hospital and Wamalwa Kijana Teaching and Referral Level 4 Hospital, and five (5) funds- Trans Nzoia County Climate Change Fund, Trans Nzoia County Nawiri Fund, Trans Nzoia County Youth and Women Development Fund, Trans Nzoia County Elimu Bursary Scheme Fund, and Trans Nzoia County Executive Car Loan and Mortgage Fund.

The water company, municipality, hospitals, and the Trans Nzoia County Executive Car Loan and Mortgage Fund received Qualified Opinions from the Auditor-General, indicating significant audit issues that require urgent management attention and corrective action. The other four (4) funds received an unqualified opinion.

The key issues identified across the entities include: going concern uncertainties arising from accumulated losses and negative working capital; non-revenue water at levels exceeding regulatory benchmarks; operation without valid WASREB licenses; irregular engagement of casual employees; non-remittance of statutory deductions; unresolved prior year audit matters; over-reliance on County Government transfers; non-compliance with procurement regulations; and weaknesses in internal controls and governance, weaknesses in budgetary control and performance, pending bills, and long outstanding trade receivables.

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.

CHAPTER ONE is a record of the audit queries raised in the report of the Auditor-General for Trans Nzoia Water and Sewerage Company Limited for the Financial Year 2024/25, and observations and recommendations of the Committee on each audit query.

CHAPTER TWO is a record of the audit queries raised in the report of the Auditor-General for Kitale Municipality for the Financial Year 2024/25 and observations and recommendations of the Committee on each audit query.

CHAPTER THREE is a record of the audit queries raised in the report of the Auditor-General for Kitale County Referral Level 4 Hospital and Wamalwa Kijana Teaching and Referral Hospital for the Financial Year 2024/25, and observations and recommendations of the Committee on each audit query.

CHAPTER FOUR is a record of the audit queries raised in the report of the Auditor-General for Trans Nzoia County Climate Change Fund, Trans Nzoia County Nawiri Fund, Trans Nzoia County Youth and Women Development Fund, Trans Nzoia County Elimu Bursary Scheme Fund, and Trans Nzoia County Executive Car Loan and Mortgage Fund for the Financial Year 2024/25, and observations and recommendations of the Committee on each audit query.

GENERAL OBSERVATIONS FOR TRANS NZOIA WATER COMPANY

1. **Non-Revenue Water (NRW)** – The Committee observed that Garissa Water Company recorded very high levels of Non-Revenue Water at 38%, well above the sector benchmark of 25% prescribed by WASREB. This was due to aged infrastructure (leakages), illegal connections, and inaccurate metering and billing.
2. **Financial Management and Reporting** – The Committee observed inaccuracies and delays in the preparation and submission of financial statements. Supporting documents were submitted late, raising concerns about compliance with Section 62 of the Public Audit Act, Cap.412B, and the Company’s ability to fully comply with IPSAS reporting standards.
3. **Governance, Asset and Revenue Management** – The Committee observed that Garissa Water Company had incomplete disclosure of assets, including two (2) unserviceable motor vehicles and eleven (11) motorcycles that had been grounded and were therefore not in use but had not been disposed off. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015. Statutory deductions were also not consistently remitted, raising compliance and financial sustainability concerns.

GENERAL RECOMMENDATIONS FOR TRANS NZOIA WATER COMPANY

1. **Comprehensive Non-Revenue Water Reduction Strategy:** The Governor should issue a directive to the company to develop and implement a comprehensive Non-Revenue Water (NRW) reduction strategy within ninety (90) days of the adoption of this report. The strategy shall include targeted interventions such as rehabilitation of aging pipelines, installation of smart meters for accurate billing and leak detection, and community sensitization programs to curb illegal connections. Further, the company shall segregate NRW into physical losses (leakages and bursts) and commercial losses (illegal connections and meter inaccuracies) to enable targeted interventions and accurate performance tracking. Quarterly progress reports on NRW reduction shall be submitted to the County Executive Committee and the Auditor-General.
2. **Strengthening Financial Management and Reporting:** The Governor should ensure that the Board and Accounting Officer strengthen financial

management practices by preparing and submitting accurate, complete, and timely financial statements in full compliance with International Public Sector Accounting Standards (IPSAS). Continuous capacity building for finance staff shall be prioritized to enhance competency, improve compliance with reporting standards, and ensure adherence to the financial reporting template prescribed by the National Treasury. The Accounting Officer shall also ensure that all supporting documents are submitted to the Auditor-General within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B.

3. **Asset Documentation, Disposal Committee Establishment, and Financial Sustainability:** The Governor should ensure that all company assets are properly documented, valued, and reflected in the financial statements. Further, the company shall establish and operationalize an Assets Disposal Committee in compliance with Regulation 77 of the Public Procurement and Asset Disposal Regulations, 2020, to oversee the disposal of grounded or obsolete assets as required by Section 163(1) of the Public Procurement and Asset Disposal Act, 2015. Revenue collection systems shall be strengthened through automation and enhanced enforcement mechanisms to optimize collections and reduce arrears. All statutory deductions shall be remitted to the relevant authorities within the prescribed timelines to avoid accrual of penalties and interest. Additionally, the company shall develop and implement a strategic plan with clear financial sustainability objectives, including revenue diversification, cost rationalization, and investment planning, to ensure long-term viability and improved service delivery. A comprehensive status report on the implementation of these measures shall be submitted to the Auditor-General within 120 days.

GENERAL OBSERVATIONS FOR THE MUNICIPALITY

- 1. Lack of Operational Autonomy** – The Committee observed that the municipalities relied heavily on County Government transfers for operations. Key functions under the Municipal Charter, such as urban roads, markets, abattoirs, and cultural activities, continued to be executed by the County Executive, limiting operational independence and risking duplication of roles.
- 2. Financial Management and Reporting** – The Committee observed unsupported property, plant and equipment balances, absence of a formal own-source revenue framework, and delayed submission of financial documents to the Auditor-General. These weaknesses raised concerns regarding the accuracy, completeness, and compliance of the Municipality’s financial statements.
- 3. Governance and Risk Management** – The Committee observed that Municipalities lacked a fully functional internal audit unit and did not have a risk management policy during the year under review. Additionally, the Municipality did not maintain full custody of its assets, limiting transparency, accountability, and safeguarding of public resources.

GENERAL RECOMMENDATIONS FOR THE MUNICIPALITY

- 1. Full Operational and Financial Autonomy:** The Governor should ensure that all municipalities achieve full operational, functional, and financial independence as prescribed under their respective Municipal Charters and the Urban Areas and Cities Act, Cap. 275. This shall include the formal and complete transfer of all functions currently managed by the County Executive to the municipalities, together with adequate and timely disbursement of funding to enable effective execution of their mandated roles. A transition plan with clear timelines and milestones shall be submitted to the County Assembly and the Auditor-General within ninety (90) days of the adoption of this report.
- 2. Operationalization of Own-Source Revenue and Strengthened Financial Reporting:** The Governor should direct the Accounting Officers to immediately operationalize own-source revenue streams in line with Section 172(a) of the Public Finance Management Act, 2012, to reduce over-reliance on County Government transfers and enhance the financial autonomy of municipalities. Further, the Accounting Officers shall ensure that all financial statements are accurate, complete, and fully compliant with International Public Sector Accounting

Standards (IPSAS). All finance staff shall receive comprehensive capacity-building to strengthen the quality of financial reporting, and all supporting documents must be submitted to the Auditor-General within the timelines stipulated in Section 62 of the Public Audit Act, Cap. 412B.

- 3. Establishment of Internal Audit, Risk Management, and Asset Custody Frameworks:** The Governor should ensure that all municipalities establish fully operational internal audit functions, with qualified staff and clear charters, in compliance with Section 155 of the Public Finance Management Act, 2012. The municipalities shall also develop and implement comprehensive risk management policies to identify, assess, and mitigate operational and financial risks. Additionally, the municipalities shall take full custody of all their assets from the County Executive and maintain updated fixed asset registers in accordance with Section 136(1) of the Public Finance Management (County Governments) Regulations, 2015. These actions will safeguard public resources, enhance accountability and transparency, and ensure the long-term sustainability of municipal operations. A compliance report on the implementation of these measures shall be submitted to the Auditor-General within 120 days.

GENERAL OBSERVATIONS FOR HOSPITALS

- 1. Persistent Asset Valuation and Management Deficiencies:** Both hospitals demonstrate systemic weaknesses in fixed asset management, including failure to value land, buildings, and motor vehicles for financial statement inclusion, absence of unique asset identification tags, lack of comprehensive asset registers, and inadequate documentation of asset transfers between facilities. These deficiencies contravene Section 149(2) of the Public Finance Management Act, 2012 and undermine the accuracy and completeness of financial reporting.
- 2. Recurrent Revenue Collection and Receivables Management Challenges:** The hospitals face significant difficulties in accurately recording and collecting receivables from the Social Health Authority (SHA) and the National Hospital Insurance Fund (NHIF), with unexplained variances, inadequate debtor ageing analyses, and lack of effective debt recovery policies. These weaknesses compromise the accuracy of financial statements and constrain revenue flows essential for service delivery.

3. **Chronic Budget Underfunding Affecting Service Delivery:** Both institutions experienced substantial budget under-performance, with Kitale County Referral Hospital operating at 43% underfunding and Wamalwa Kijana Teaching and Referral Hospital at 68% underfunding. This persistent budget shortfall, compounded by industrial actions by health workers, has severely constrained the hospitals' capacity to deliver quality medical services to Trans Nzoia County residents.
4. **Regulatory Non-Compliance in Fiscal Management:** The hospitals demonstrate recurring non-compliance with statutory requirements, including failure to remit the 0.03% Public Procurement Capacity Building Levy as required by Legal Notice 206 of 2023, non-adherence to the 30% development expenditure threshold under the Public Finance Management Regulations, and inadequate implementation of prior year audit recommendations.
5. **Underutilization of Health Infrastructure and Resources:** The transfer of 90% of services from Kitale County Referral Hospital to Wamalwa Kijana Teaching and Referral Hospital has resulted in significant underutilization of valuable assets, including a Ksh. 500 million reference laboratory, idle wards, and non-functional equipment. This suboptimal resource utilization raises concerns about value for money on public investments in health infrastructure.

GENERAL RECOMMENDATIONS FOR HOSPITALS

1. **Comprehensive Asset Verification and Valuation:** The Governor should ensure the respective Accounting Officers, immediately undertakes a complete inventory and professional valuation of all hospital assets, including land, buildings, motor vehicles, and equipment, within 90 days of report adoption. A centralized, updated fixed assets register with unique identification codes should be established and maintained, with annual physical verifications to ensure accuracy and completeness in financial statements.
2. **Strengthened Revenue and Receivables Management Framework:** The governor should ensure the hospitals implements robust debtor management policies, establish functional debt recovery committees, and conduct monthly reconciliations of SHA/NHIF claims with the respective authorities. The MEDBOSS revenue system requires urgent upgrading to incorporate modern STK technology and automated controls, while finance staff should receive specialized

training on receivables management and compliance with International Public Sector Accounting Standards (IPSAS).

3. **Enhanced Budget Planning and Resource Mobilization:** The County Treasury and Department of Health should prioritize adequate funding for hospitals to meet approved budget levels, with particular attention to reducing the current funding gaps. Hospitals should develop realistic revenue projections based on historical performance, diversify income streams beyond SHA/NHIF, and establish contingency plans to mitigate the impact of industrial actions and other disruptions on revenue collection and service delivery.
4. **Strict Enforcement of Statutory and Regulatory Compliance:** The Governor should ensure that Accounting Officers implement all outstanding audit recommendations, failure to which legal action pursuant to Section 31(1) of the Public Audit Act shall be invoked. The County should work with IFMIS administrators to configure automatic deduction and remittance of statutory levies, while establishing manual controls in the interim. Future budgets must comply with the 30% development expenditure requirement under Regulation 26(1) of the Public Finance Management (County Governments) Regulations, 2015.
5. **Optimization of Health Infrastructure and Inter-Facility Synergy:** The governor should ensure the County Department of Health develops a comprehensive strategic plan for optimal utilization of both hospital facilities, clearly defining their respective mandates and service complementarity. The reference laboratory at Kitale County Referral Hospital should be fully operationalized as a regional referral center, while dilapidated buildings should be prioritized for renovation in the 2026/2027 budget cycle to restore functionality and ensure value for money on public investments.

GENERAL OBSERVATIONS FOR THE FUNDS

1. **Systemic Underfunding and Under-utilization-** Most funds, including the Climate Change Fund, Elimu Bursary Fund, and Nawiri Fund, experienced significant underfunding and under-utilization of resources. This was primarily attributed to the under-collection of Own Source Revenue (OSR) and delays in exchequer releases.
2. **Legal Lapses in Fund Continuity:** Several funds, such as the Nawiri Fund, Youth and Women Development Fund, and Elimu Bursary Fund, have continued to operate beyond their initial 10-year approval period without formal renewal from the County Executive Committee and County Assembly, in breach of PFM Regulations.
3. **Weak Debt and Imprest Recovery:** Management struggled to recover long-outstanding loans and imprests, some dating back over a decade (e.g., 2013/2014 and 2015). In some instances, loans were disbursed without sufficient insurance cover or registered securities.
4. **Poor Record Keeping and Documentation:** Auditors initially rendered qualified opinions for certain funds due to unsupported receivables and missing committee minutes, though some documents were later provided during exit meetings.

GENERAL RECOMMENDATIONS FOR THE FUNDS.

1. **Enhance Revenue and Budget Planning-** Fund management must institute realistic budget planning and implement aggressive measures to enhance Own Source Revenue to ensure planned activities are fully funded and service delivery is not compromised.
2. **Automate Statutory Deductions-** The Governor should ensure Accounting Officers work with IFMIS administrators to configure the system for automatic deduction and remittance of the Procurement Capacity Building Levy. Until then, manual controls and registers must be established to ensure compliance.
3. **Regularize Fund Operations-** Management must prioritize and hasten the approval of reviewed bills and acts at the County Assembly to ensure all public funds are operating under valid legal frameworks and within the authorized timeframes.
4. **Strengthen Recovery Mechanism-** Accounting Officers are required to put in place robust recovery measures with clear timelines for all outstanding loans and imprests. Irrecoverable debts should be formally analyzed and processed for write-off following Board approval and PFM Regulations.

5. **Strict Adherence to Audit Timeline-** To avoid qualified audit opinions, Accounting Officers must ensure the timely submission of all supporting documents, ledgers, and schedules during the actual audit process rather than waiting for exit meetings or subsequent cycles.
6. **Compliance with Disbursement Guideline-** Specifically for the Elimu Bursary Fund, management must strictly adhere to statutory requirements to set aside specific percentages of funds (e.g., 5% for physically challenged students) to ensure equitable distribution.

ACKNOWLEDGEMENTS

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

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

SIGNED:

DATE:

**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 FOUR COUNTY ENTITIES FOR TRANS NZOIA COUNTY FOR THE FINANCIAL YEAR 2024/2025

SECTOR	NO.	ENTITY
WATER COMPANY	1	TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED.
MUNICIPALITIES	1	KITALE MUNICIPALITY
HOSPITALS	2	KITALE COUNTY REFERRAL LEVEL 4 HOSPITAL
		WAMALWA KIJANA TEACHING AND REFERRAL HOSPITAL
FUNDS	5	TRANS NZOIA COUNTY CLIMATE CHANGE FUND
		TRANS NZOIA COUNTY NAWIRI FUND
		TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND
		TRANS NZOIA COUNTY ELIMU BURSARY FUND
		TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND

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

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

CHAPTER ONE: WATER COMPANY

1.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday, 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia Water and Sewerage Company Limited for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

Mr. Robert Wamalwa - CECM Water
Ms. Irene Nang'ole - Ag. Managing Director

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Trans Nzoia Water and Sewerage Company Limited on the following basis:

1. Long-Outstanding Debtors Inherited from Nzoia Water Services Company Limited

The statement of financial position reflects trade and other receivable opening balance as at 1 July, 2024 of Kshs.213,432,381 and closing balance of Kshs.251,703,753 as at 30 June, 2025. The opening balance relates to receivables inherited from the defunct Nzoia Water Services Company Limited. However, there was no documentary evidence including invoices and account statement provided for audit review to support the inherited. In addition, the rate and basis for the provision for doubtful debts amount of Ksh 62,744,474 as shown in Note 19(a) to the financial statements was not disclosed. Further, no evidence was provided to confirm measures or efforts being made by the Management to recover these long outstanding receivables.

In the circumstances, accuracy, completeness, and recoverability of trade and receivables amount of Kshs.251,703,753 could not be confirmed.

Management Response

The trade and other receivables amounting to KES 256,863,037 inherited by defunct NZOWASCO as observed by the auditor is supported by the attached ageing schedule, statements of account and account invoices(bills). The provision for doubtful debts amounting to KES 62,744,474 was determined based on management's assessment of the

recoverability of outstanding receivables, informed by the debt categorization exercise undertaken during the period under review.

This was advised by the core management team (CMT) in a meeting held on 2nd July 2025 to apply 20% rate in provision for bad and doubtful debts. Further to recover the debts, management has put in place a revenue enhancement committee to champion billing and collection efforts.

In addition, management is implementing an approved debt management policy that outlines debt recovery measures. Copies of the Defunct Nzowasco ageing analysis, Account statements, Account invoices, Extract of Core Management Team Minutes, Appointment letter of Revenue enhancement committee, and Extract of debt management policy were attached for the committee verification.

Committee Observations

The Committee observed that the query remains unresolved as the company had long outstanding trade and other receivables amounting to Ksh. 62,744,474 which remained outstanding for over for over 90 days.

Committee Recommendations

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.

2. Unsupported Trade and other payables

The statement of financial position reflects trade and other payables of Kshs.232,220,755 as disclosed in Note 25 to the financial statements. However, review of trade payable schedules revealed that trade payables amounting to Kshs.191,998,469 inherited from the defunct Nzoia Water Services Company Limited was not supported by way of local purchase orders/local service orders, ageing analysis, delivery notes, and inspection and acceptance certificates.

In the circumstances, the accuracy and completeness of the inherited trade and other payables balance of Kshs.191,998,469 could not be confirmed.

Management Response

During decluttering process, the taskforce team recommended sharing of assets and liabilities based on shareholding of the two counties 51% for Trans Nzoia County and 49% for Bungoma county respectively. The trade and other payables amounting to KES 191,998,469 recognized in the financial statements was arrived at as a result of 51% shareholding of Trans Nzoia County. A joint transition committee was appointed by the county governments of Trans Nzoia and Bungoma to distribute the assets and liabilities of the defunct Nzoia Water Services Company Limited.

The Transition committee has not completed the exercise of sharing assets and liabilities. However, plans are underway for adoption of report and signing off deed of transfer as communicated from county government of Trans Nzoia. Copies of the Extract of decluttering taskforce report 2023, Joint appointment letter of transition Committee members, and the Letter from County government of Trans Nzoia to Bungoma County requesting for a joint meeting for report presentation, were provided for the committee verification.

Committee Observations

The Committee observed that the company's trade and other payables included Kshs.191,998,469 which resulted from the 51% shareholding from the defunct Nzoia Water Services Company Limited.

Committee Recommendations

The Committee recommends that; -

- i) within sixty (60) days of the adoption of this report, the Accounting Officer engages the relevant entities to formulate a repayment plan for the payables amounting to Ksh. 191,998,469 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 management concludes the implementation of the decluttering taskforce report 2023, pursuant to Regulation 99(3) of the Public Finance Management (County Governments) Regulations 2015;**
- iii) 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**
- iv) 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.Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted receipts of Kshs.376,544,117 against total actual receipts of Kshs.277,085,382 resulting to under-collection of Kshs.99,458,735 or 26% of the budget.

Similarly, the statement reflects actual receipts of Kshs.277,085,382 against actual expenditure of Kshs.225,537,655 resulting to under-utilization of Kshs.51,547,727 or 19% of the total receipts.

In the circumstances, the under-collection and under-utilization affected the planned activities and may have negatively impacted service delivery to the public.

Management Response

The company's failure to collect KES 99,458,735 of the projected budgeted receipts of KES 376,544,117 is attributed to aged infrastructure developed in 1984 that is prone to

leaks and bursts that affected the company water sales. Delays in installation of new pumps at Nzoia treatment plant also affected water sales. The pumps were successfully operationalized in January 2025. The amount of KES 51,547,727 had been allocated for capital intensive projects whose implementation spanned from FY 2024/2025 to current year. Copies of pictures showing line repairs and pump installation, Status report of projects as at 31st December 2025, Status report of projects as at 31st December 2025, and the Approved budget FY 2024/2025 were provided for the committee verification.

Committee Observations

The Committee observed that—

- i. the water company had an under-collection of Kshs.99,458,735 or 26% of the budget during the financial year under review; and
- ii. the water company had an under-utilization of Kshs.51,547,727 or 19% of the total receipts during the financial year under review.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, and Section 149 (20(h) of the Public Finance Management Act, 2012, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the Board of Directors should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, such as review of tariffs, connection of more customers and automation to address revenue leakages, as well as putting strategies in place to ensure timely absorption of the budget. The Auditor-General to confirm the effectiveness of the mitigating measures put in the water company and report in the subsequent audit cycle.

4. Compliance with Law on Affirmative Action

The current composition of staff of the water company was ninety-four (94) staff as at 30 June, 2025. Out of the total staff thirteen (13) or 14% of the staff members were youthful, while twenty-one (21) or 22% of staff members were above fifty (50) years of age. There were no proper mechanisms for smooth succession when the older staff members will reach retirement age.

Further, there was no representation from persons with special needs contrary to Article 54(2) of the Kenyan Constitution 2010 which reinforces the rights of persons with disabilities and includes a provision for affirmative action, specifically stating that at least 5% of employment opportunities in the public sector should be reserved for people with disabilities.

Management Response

The company did not recruit in the period under review and the current staff composition was inherited from defunct Nzoia Water Services Company Limited. However, the company has one percent of the employees registered with National Council for persons with Disabilities.

For succession planning and to address staff composition issues, the Board of Directors has approved a staff establishment to guide recruitment. Copies of details of TRANSWASCO employee abled differently, and an extract of approved staff establishment 2025 were provided for the committee verification.

Committee Observations

The Committee observed that the company engaged ninety-four (94) staff while none them were persons living with disabilities, contrary to section 13 of the Persons with Disabilities Act, Cap.133.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer ensures strict compliance with the provisions of Section 13 of the Persons with Disabilities Act, Cap.133 with regards to the reservation of five per cent of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities and Article 54 (2) of the Constitution of Kenya, 2010, failure to which the provisions of section 48 of the Act on offences for penalties shall apply; and**
- ii. the Auditor-General to monitor the implementation of the above recommendation and provide a status update on the same to the Senate during the subsequent audit cycle.**

5. Non-Compliance with the Law on a Third of Basic Salary

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects staff costs amount of Kshs.66,662,901 for the year

ended 30 June, 2025. Review of the payroll data established that several employees of the water Company received net salaries that were less than a third of their respective basic salaries for the months tabulated below:

Month	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec-24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25
Number of Employees Receiving Net Pay Less Than a Third of Their Basic Salaries	2	2	6	10	11	14	5	9	13	8	9	7

This was contrary to Section 19(3) of the Employment Act, 2007 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, the Management was in breach of the law.

Management Response

Non-compliance was occasioned by unforeseen increase in statutory deductions e.g., NSSF, housing levy, and SHA. The affected employees had already committed their pays slips prior to his changes. Management communicated to all employees to comply. Moreover, management reports that all affected employees are currently compliant. Copies of the Staff Memo on a third rule and Current status report November 2025 were provided for the committee verification.

Committee Observations

The Committee observed that the non-compliance was occasioned by unforeseen increase in statutory deductions for instance NSSF, housing levy, and SHA. The affected employees had already committed their pays slips prior to his changes. However, the Committee noted that all employees are currently compliant to Section 19 (3) of the Employment Act, 2007, and thus satisfactorily addressing the matter.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

6. Non-Revenue Water

The statement of profit or loss and other comprehensive Income for the year under review reflects operating revenue amount of Kshs.310,715,459 which include water sales amount of Kshs.263,123,316 as detailed in Note 6 to the financial statements. During the year, the Company produced a total of 3,669,674 cubic meters of water at a production cost of Kshs.55 per cubic meter. Out of this, only 2,020,816 cubic meters was distributed and billed to customers. The billed water represents 55.1% of water produced while 44.9% represents unaccounted for water as summarized below;

Financial Year	2024-2025
Water Produced (M3)	3,669,674
Billed Volume (M3)	2,020,816
Non-Revenue Water Volume (M3)	1,648,858
Non-Revenue Water (%)	44.9%
WASREB Acceptable Threshold (25% of Water Produced)	917,419
Above WASREB Acceptable Threshold (M3)	731,434

The water loss of 44.9% was over and above the WASREB acceptable threshold of 25% by 19.9%. The Management did not provide satisfactory measures put in place so far to reduce the volume of Non-Revenue Water going into the future.

In the circumstances, the Company may have lost sales of approximately 1,648,858M3 of water or Kshs.90,687,190 incurred in production of the non-revenue water.

Management Response

The company's high non-revenue water in the period under review was occasioned by old and dilapidated water infrastructure which is prone to frequent leaks and bursts. The company's infrastructure was developed in 1984. In addition, water theft by existing and potential customers contributed to high non-revenue water in the period under review.

The management has appointed non-revenue water committee that is multi-sectoral to champion non-revenue activities. Management has budgeted for non-revenue water reduction activities in FY 2025/2026 for instance; rehabilitation of water infrastructure,

provision for purchase of ultrasonic flow meter to measure water flow and detect leaks, Smart Bulk meter for zoning, GIS software for mapping infrastructure, Meter testing bench for testing accuracy of the meters and GPS gadgets for mapping to manage non-revenue. The Management has also continuously trained employees from key departments on both physical and commercial water losses. The company procured 8 motorbikes and has budgeted for 10 more for line patrol and quick response to leaks and bursts. Copies of the Appointment letter of Non- Revenue Water committee members, Extract of approved Budget FY 25/26, a letter of invitation Non-Revenue Water training, Motorbikes for line patrolling, and the Ownership documents copies of logbooks were availed for the committee verification.

Committee Observations

The Committee observed that—

- i. the company's non-Revenue water was at 44.9% which was 19.9% above the sector benchmark of 25% as set out in WASREB guidelines; and
- ii. the strategies enumerated by the water company seemed to be effective in mitigating the losses.

Committee Recommendations

The Committee recommends that—

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

7. Lack of Policy on Provision for Bad and Doubtful Debts

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.197,911,185 as detailed in Note 10 to the financial statements. This includes provision for doubtful debts of Kshs.62,744,474 provided for at the rate of 20%. However, the Company has not provided the basis of determining the rate of the provision as required by Paragraph 5.3.4 of Trans Nzoia County Water and Sewerage Company Limited Finance Regulations and Procedures Manual, 2024.

In the circumstances, the adequacy, validity and completeness of the provision for doubtful debts amount of Kshs.62,744,474 could not be confirmed.

Management Response

The provision for bad and doubtful debts amounting to Ksh 62,744,474 was determined based on management's assessment of the recoverability of outstanding receivables, informed by the debt categorization exercise undertaken during the period under review. The Core Management Team (CMT) approved a provision rate of 20% in a meeting held on 2nd July 2025. Further management reviewed the company's Finance Regulations and Procedures Manual and included the rates of provision for bad and doubtful debts. Extracts of Core Management Team Minutes and the finance regulations and procedures manual 2026 Page 12 were provided for the committee verification.

Committee Observations

The Committee observed that the does not have a policy on Management of bad and doubtful debts. However, as per the time of appearance before the committee, the management had submitted documentary evidence of an existence of an approved Debt Policy.

Committee Recommendations

The Committee recommended that the matter be marked as resolved.

CHAPTER TWO: MUNICIPALITY

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

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kitale Municipality for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

Mr. Wilberforce Wamalwa - Municipal Board Chair

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Kitale Municipality on the following basis; -

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.9,865,768 against actual revenue of Kshs.7,949,018 resulting into an underfunding of Kshs.1,916,750 or 19% of the budget. Further, the Municipality spent Kshs.7,834,318 against actual receipts of Kshs,7,949,018 resulting in underutilization of Kshs.114,700 or 1% of the budget.

The under-funding and under-utilization of the budget affected the planned activities and may have impacted negatively on service delivery to the public.

—Management Response

The planned activities were not affected because the goods and services were rendered pending payment. Out of the balance of KES 1,916,750 not received, KES 1,888,200 were commitments not paid which constituted the pending bills under the Recurrent Budget as tabulated in Table 1 below.

KES 28,550 was the difference between the contract sum and budgeted amount. The KES 114,700 was the balance carried forward in the bank, to be spent in the next financial period. Copies of invoices were provided for the committee verification.

Table 1: Pending Bills under the Recurrent Budget.

PAYEE	DESCRIPTION	STATUS	VOUCHER AMOUNT
Jetlink Investment	Stationery	Paid*1	232,000
Tindimukha	Furniture	Pending	254,000
Iroko	Catering	Pending	62,400
Nyangwesema Supplies	Stationery	Paid*1	227,100
Josfai Merchants	IT Equipment	Paid*	432,700
Rachiplus	MV Maintenance	Pending	680,000
TOTAL			1,888,200

Committee Observations

The Committee observed that the management had an underfunding of Kshs.1,916,750 or 19% of the budget, and an underutilization of Kshs.114,700 or 1% of the budget in financial year under review.

Committee Recommendations

The Committee recommends that; -

- i. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-Remittance of Public Procurement Capacity Building Levy

During the financial year ended 30 June, 2025, the Municipality issued and paid local purchase orders/local service orders and contracts amounting to Kshs.16,847,084. However, the Management did not deduct and remit the public procurement capacity

building levy of 0.03% of the contract amount paid leading to unremitted levy of Kshs.9,619.

This was contrary to paragraph 3(1) of Legal notice 206 of the Levy Order 2023 which states that there shall be paid a Levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In the circumstances, Management was in breach of the law.

Management Response

Lack of IFMIS Configuration & Automated Flagging Unlike statutory deductions like Withholding Tax (WHT) or Retention, the Integrated Financial Management Information System (IFMIS) is not currently configured to recognize the 0.03% Capacity Building Levy. Without an automated "logic" in the IFMIS system, the platform allows payments to be processed to completion without alerting the accountant of the missing deduction.

Absence of a Dedicated GVA Deduction Code

There is currently no specific General Vote Account (GVA) or Standard Chart of Accounts (SCoA) code on the IFMIS platform specifically mapped for the Public Procurement Regulatory Authority (PPRA) levy. In the absence of this code, there is no digital "wallet" within the system to hold the deducted funds before they are remitted, making manual workarounds necessary but high-risk.

Disjointed Remittance Channels (IFMIS vs. eCitizen)

While IFMIS is the primary tool for processing county payments, the PPRA requires the levy to be remitted via the eCitizen platform. Since IFMIS and eCitizen are not seamlessly integrated for this specific levy, it creates a "workflow break" where the officer must exit the IFMIS environment to generate a separate payment slip, increasing the likelihood of oversight.

Ambiguity in Multi-Year and Milestone Payments

The Levy Order lacks granular detail on how to treat milestone-based payments. Management faced challenges determining whether to deduct the full 0.03% on the first invoice (lump sum) or to pro-rate the deduction across multiple partial payments. This ambiguity often leads to a "wait-and-see" approach during the transition period.

Implementation Lag and Lack of Sensitization

Although the Legal Notice was issued in 2023, the official commencement and subsequent circulars from the National Treasury were late in reaching the County level. The lack of structured stakeholder sensitization forums for County Treasury and Procurement staff meant that the operational requirements of the order were not fully internalized at the point of invoice processing.

Verification of Exemptions

The law exempts contracts fully funded by Development Partners. Currently, IFMIS does not have a verification feature to distinguish between locally funded contracts and partner funded contracts. This requires manual verification of every contract, which is labor intensive and prone to error in a high-volume procurement environment.

Committee Observations

The Committee observed that the Hospital failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- i) the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- ii) Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- iii) Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.**

2. Failure of the County Executive to Fund the Municipality's Approved Budget

The statement of financial performance reflects transfers from the County Government of Kshs.26,718,376 as disclosed in Note 6 to the financial statements. The amount includes Kshs.1,340,000 which was disbursed to the Municipality's bank account for recurrent expenditure, while the balance of Kshs.25,378,376 was paid by the County treasury on behalf of the Municipality. The funds were not transferred to the Municipality as budgeted, to be accounted for as a separate entity.

This contravenes Section 171(1) of the Public Finance Management Act, 2012 that states that an accounting officer of an urban area or city is responsible for the management of the

revenue received by that urban area or city in accordance with Section 172, and revenue allocated by the County Government to the urban area or city.

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

Management Response

Management acknowledges that the payment of KES. 25,378,376 was done through IFMIS. However, subsequently, the recurrent non procurable budget for the first half of this financial year 2025/2026 has been transferred to the Municipality's operations account and arrangements to transfer the development funds are underway as per attached disbursement schedule.

The achievement of autonomy in the Municipality's activities is in progress and the County is in the process of mapping the Municipality to IFMIS to align to the PFM Act 2012. Copies of the Disbursement Schedule and Transfer vouchers were provided for the committee verification.

Committee Observations

The Committee observed that the County Treasury paid an amount of Kshs.25,378,376 on behalf of the municipality, without transferring the amount to the Municipality account as budgeted, to be accounted for as a separate entity as required by Section 171(1) of the Public Finance Management Act, 2012.

Committee Recommendations

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. Irregular Expenditure from the Retention Account

The statement of financial position reflects receivables from non-exchange transactions amounting to Kshs.43,419,497, as disclosed in Note 14 to the financial statements. Included in this balance is Kshs.26,518,750 relating to borrowings by other County entities. Examination of documents provided revealed that Kshs.25,000,000 was paid to a construction company on 1 September, 2023 from Kitale Municipality Urban Development Grant Account as part payment for construction of a multi-storey business complex initiated by the County Government of Trans Nzoia.

Through a letter dated 22 August, 2023, the Chief Officer for Finance and Economic Planning authorized the Municipal manager to utilize retention funds in the account to pay a contractor for the certificate issued. However, there was no written agreement for refund of the amount of Kshs.25,000,000 paid from the retention account and therefore, the Municipality cannot establish claim for advances made without formal agreement.

Further, an inter-departmental borrowing, vide letter number CGTN/FIN/CO/30/VOL.1 (94) from the county treasury dated 19 August, 2024, authorized Kshs.500,000 to be drawn from the retention account. However, there was no evidence to confirm refund of the withdrawn amount.

In the circumstances, the Municipality may not be able to meet its retention payment obligations when they fall due.

Management Responses

Ksh. 25,000,000 was part payment of certificate number T2 to the contractor of the Kitale business Centre. The county executive has provided for the retention funds of KES. 25,500,000 in the 2025/2026 budget and will be able to meet the payment obligations when they fall due. An extract of Municipality 2025/2026 Development Budget copies of transfer vouchers were provided for the committee verification.

Committee Observations

The Committee observed that-;

- i) the Chief Officer Finance authorized the Municipal Manager to utilize retention funds amount of Kshs.25,000,000 to pay a contractor for the construction of a

multi-storey business complex initiated by the County Government of Trans Nzoia without a written agreement for refund of the amount, while Kshs.500,000 was withdrawn from the retention account without evidence to confirm its repayment, contrary to Regulation 142 (5) (b) of the Public Finance Management (County Government) Regulations, 2015.

- ii) The management has initiated the process of refunding the funds to the retention account.

Committee Recommendations

The Committee recommends that the Governor ensures that the Accounting Officer to fast track the repayment of the total amount of Ksh 25, 500,000 to the retention account on first charge, and adhere to all relevant laws on inter departmental borrowing. The Auditor General to keep he matter on check and provide a status update during the subsequent audit cycle.

4. Long-Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.81,921,784 as detailed in Note 17 to the financial statements. However, review of trade and other payables ageing analysis revealed pending payments for goods, services and works totaling Kshs.80,746,684 have been outstanding for over 60 days.

This was contrary to Regulation 150(1) of The Public Procurement and Assets Disposal Regulations, 2020 which requires that subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty (60) days from the date of receipt of the invoice.

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

Management Response

Part of the KES 81,921,784 is KES. 60,801,775 in respect of retention funds for the Masinde Muliro Business Centre which are not yet due for payment because the project is not yet completed. The balance of KES. 21,120,009 constitutes pending bills whose payment is ongoing as indicated in table 2 below. Copies of the Retention Schedule and Business Centre Payment Vouchers were attached for the committee verification.

Table 2: Pending bills amounting to KES 21,120,009

	Description	Date Paid	Payables 30th June 2025 in KES
G Ton Co	VAT	Pending	31,631

Eden Wilson	Consultancy Services for Public Participation	Pending	5,331,428
Oringe Waswa & Opany Advocates	Consultancy services for strategic plan	Pending	1,473,200
ICPAK	Session Fees	Pending	59,000
Kenya Institute of Planners	Membership fees	Pending	7,500
Philip Onyango Garage	Motor vehicle Maintenance	Pending	86,000
Sanrol Company	Printing Services	Pending	199,750
Arcorn Ventures Limited	Supply of Stationery (Balance)	Pending	12,200
Siraya Investments	Beautification of Museum Area	Pending	2,949,700
Sabylin Company Ltd	Road Maintenance	Pending	2,457,460
Tindimukha	Assorted Office Furniture	Pending	254,000
Iroko Hotels	CATERING	Pending	62,400
Nyangwesema Supplies	Stationery	04/12/2025	227,100
Josfai Merchants	Supply of Laptops and Printer	04/12/2025	432,700
Jetlink Investment	Supply of Stationery	04/12/2025	232,000
Rachiplus Company Ltd	Supply of Tyres	Pending	680,000
Endebess Masingira Women Supplies	Supply & Delivery of Skip Bins	04/12/2025	662,600
Globwise	Consultancy Services for Preparation of Strategic Plan	Pending	2,487,000
Saisa Group	Maintenance of Machinjoni Dumpsite	Pending	3,474,340

TOTAL	21,120,009
--------------	-------------------

Committee Observations

The Committee observed that; -

- i) the management had pending payments for goods, services and works totaling Kshs.80,746,684 have been outstanding for over 60 days, contrary to Regulation 150(1) of The Public Procurement and Assets Disposal Regulations, 2020.
- ii) The management is in process of paying Ksh 21,120,009, while the remaining balance of 60,801,775 is in respect of retention funds for he Masinde Muliro Business Center which are not due for payment as the project is still not yet complete.

Committee Recommendations

The Committee recommends that the Governor ensures that the Accounting Officer to fast track the repayment of the total amount of Ksh 21,120,009 as pending bills on first charge, and strictly adhere to the provisions of Regulation 150(1) of The Public Procurement and Assets Disposal Regulations, 2020. The Auditor General to keep he matter on check and provide a status update during the subsequent audit cycle.

REPORT ON HE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE.

1. Lack of Autonomy in Municipality Operations

During the financial year under review, despite having a duly constituted board and a charter, the Municipality remained partly controlled by the County Government of Trans Nzoia, as major operational and financial decisions continue to require county executive approval.

This limits the municipality’s ability to independently exercise its statutory mandate as provided under Section 12 of the Urban Areas and Cities Act, 2011, which states that the board of an area granted the status of a city or municipality under this Act shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name, be capable of doing or performing all other acts or things for the proper performance of its functions in accordance with this Act or any other written law which may lawfully be done or performed by a body corporate.

In the circumstances, the Municipality may fail to execute her mandate effectively and efficiently because of the bureaucratic nature of the reporting system.

Management Response

The Municipality is a specialized agency of the County Government undertaking specific delegated functions on behalf of the County Government. The Municipal Manager is the Accounting Officer of the Kitale Municipality which also has permanent staff for various functions.

Additionally, there are financial transfers to the Municipality's Operations Account that have been carried out and some are under process to enable uninterrupted service delivery by the Municipal Board. Copies of the List of Key Staff in the Municipality, and Transfer Vouchers, were attached for the committee verification.

Committee Observations

The Committee observed that

- i) the Municipality remained partly controlled by the County Government of Trans Nzoia, as major operational and financial decisions continue to require county executive approval, contrary to Section 12 of the Urban Areas and Cities Act, 2011.
- ii) The Municipal Manager is the Accounting Officer of the Kitale Municipality with permanent staff in various departments.

Committee Recommendations

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.**

2. Failure to Appoint a Substantive Municipal Manager

As previously reported, the Management of the Municipality is under a Municipal manager who was appointed by the County Public Service Board vide the letter Ref. No. CGTN/CPSB/II VOL.15/92 of 15 October, 2018. The manager was given a compulsory leave in July, 2023. However, there was no evidence if any disciplinary proceedings were initiated against the manager and if he continues to earn.

At the time of audit in September 2025, the Municipality was under an acting manager who was appointed by the County Secretary on 11 July, 2023 and has been acting for over two (2) years contrary to Section 34(3) of the Public Service Act, 2017 which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

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

Management Response

The contract term of the former municipal Manager was 5 years non-renewable and was coming to an end by September 2023. The recruitment process of a substantive Municipal manager is under process, however, for uninterrupted service delivery, the acting mandate for the Acting manager was renewed. Copies of the Appointment of former Municipal Manager and Letter of renewal of the acting Mandate were attached for the committee verification.

Committee Observations

The Committee observed that the Municipality was under an acting manager who was appointed by the County Secretary on 11 July, 2023 and has been acting for over two (2) years contrary to Section 34(3) of the Public Service Act, 2017.

Committee Recommendations

The Governor ensures that the substantive Municipal manager is appointed to enable an independent running of the municipality as delegated by the County Governor in the Municipal Charter.

3. Delay in Completion of the Multi-Storey Business Complex and Lack of Ownership Documents for Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.902,261,637 as disclosed in Note 16 to the financial statements. This includes

Kshs.874,280,383 for the construction of a multi-storey business complex in Kitale town. The multi-year project contract was signed on 25 June, 2018 with a contract period of seven hundred and thirty-one (731) days and the expected completion date of 10 June, 2021. However, land ownership documents on where the business complex was built were not provided for audit. Further, physical inspection carried out on 6 October, 2025 revealed that the contractor was not on site and the project had stalled at 92% completion level. In addition, log book for a tractor with a net book value of Kshs.104,379 was not provided for verification.

In the circumstances, ownership of the land and tractor could not be confirmed and the benefit to the public has not been realized from the amount spent in the construction of the business complex.

Management Response

The County Government is in the process of obtaining ownership documents for the Business Complex Land. We are also in the process of recovering the misplaced Logbook for the Tractor, however the tractor is in use and in the possession of the Kitale Municipality.

The contractor of The Multi-storey Business Complex abandoned site in 2024 and the contract has since come to an end at 95% completion. The county in partnership with the National Government is in the process of completing the pending works by 31st March 2026. The contractor has taken the County for arbitration over the claims as per attached Claimant's Pleadings. Further, joint snagging has been done between the County Project Implementation Committee and the contractor to establish the final accounts. Copies of the Land Ownership Correspondence, Correspondence and Logbook, Claimants Pleadings and Draft snagging reports were provided for the committee verification.

Committee Observations

The Committee observed that; -

- i) The land ownership documents on where the business complex was built were not provided.
- ii) the project had stalled at 92% completion level and the contractor was not on-site.
- iii) The county is in partnership with the National Government in the process of completing the pending works by 31st March 2026.
- iv) log book for a tractor with a net book value of Kshs.104,379 was not provided for verification.

- v) The County Government is in the process of obtaining ownership documents for the Business Complex Land and recovering the misplaced Logbook for the Tractor.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the municipality secures full ownership of the queried properties, plant and equipment and provide a status update to the committee within 60 days of adoption of this report;**
- ii. the Accounting Officer ensures that the municipality maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board (PSASB) and the company to carry out a valuation of all its assets and submit the same to the Auditor-General within 60 days from the adoption of this report;**
- iii. the Auditor-General to undertake physical verification of all assets of the Municipality and provide a status report to the Committee within 60 days from the adoption of this report.**

CHAPTER THREE: HOSPITALS

3.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR KITALE COUNTY REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Kitale County Referral Level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Christopher Lorot - CECM health

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Kitale County Referral Level 4 Hospital on the following basis; -

1. Inaccuracies in Receivables from Exchange

Transactions The statement of financial position reflects receivables from exchange transactions balance of Ksh. 22,912,567 as disclosed in Note 20 to the financial statements. However, records from SHA and NHIF indicates receivables balances of Ksh. 3,051,710 and Ksh. 77,163,884 respectively.

Further, the supporting schedules together with debtor's policy to guide on debt collection and management were not provided for audit review.

In addition, there was no debtor's ledgers and ageing analysis to explain for how long the debts have remained outstanding. In the circumstances, the accuracy, completeness, existence and recoverability of the accounts receivables from exchange transactions could not be confirmed.

Management Responses

The correct position of receivables for FY 2024/2025 is KES 15,672,727 and KES 7,239,840 from SHA and NHIF respectively totaling KES 22,912,567, and not KES 3,051,710 and KES 77,163,884 as stated in the audit query.

The Management has appointed a debt management and recovery committee to formulate an effective Debt Recovery and management policy.

Copies of the Appointment letters for the debt management and collection committee were attached for the committee verification. The details of ledgers and aging analysis of receivables amounting to Ksh. 22,912,567 explained in Table 1 below; -

TABLE 1: LEDGERS FOR RECEIVABLES ACCOUNT				
SHA ANALYSIS F/Y 2024/2025				
CLAIMS SUBMITTED		CLAIMS PAID		
MONTHS	AMOUNT	DATE	DESCRIPTION	AMOUNT
Jul-24	9,507,810	26/11/2024	CAPITATION PHC	3,228,400
Aug-24	6,489,822	26/11/2024	CAPITATION PHC	4,371,400
Sep-24	8,344,920	16/12/2024	REBATES	572,051
Oct-24	22,000	20/12/2024	REBATES	19,954
Nov-24	853,097	20/12/2024	REBATES	277,204
Dec-24	1,311,700	30/12/2024	REBATES	202,654
Jan-25	1,172,100	4/02/2025	REBATES	502,404
Feb-25	380,250	5/02/2025	REBATES	234,254
Mar-25	587,290	25/02/2025	REBATES	932,204
Apr-25	838,440	12/03/2025	REBATES	16,954
May-25	980,350	26/03/2025	REBATES	9,954
Jun-25	986,670	26/03/2025	REBATES	374,254
		2/04/2025	REBATES	126,895
		2/04/2025	CAPITATION PHC	1,066,940
		3/04/2025	REBATES	26,754
		15/4/2025	REBATES	703,774
		22/4/2025	REBATES	54,854
		24/4/2025	REBATES	106,454
		30/4/2025	REBATES	186,504
		16/5/2025	REBATES	217,408
		23/5/2025	REBATES	923,892
		28/5/2025	REBATES	7,995
		11/6/2025	REBATES	488,921

		17/6/2025	REBATES	88,108
		20/6/2025	CAPITATION PHC	1,061,536
TOTALS	31,474,449			15,801,722
NHIF ANALYSIS				
PREVIOUS RECEIVABLES 2023/2024	PREVIOUS			41,665,963
NHIF REMBURSEMENT	NHIF			34,426,123
Balance as at 30th June 2025	BALANCE			7,239,840
SHA ANALYSIS				
CLAIMS SUBMITTED				31,474,449
CLAIMS REMBURSED				15,801,722
UNPAID CLAIMS				15,672,727
TOTAL UNPAID CLAIMS BOTH SHA AND NHIF				22,912,567
AGING ANALYSIS				
PERIOD	AMOUNT	PERCENTAGE		
LESS THAN 1 YEAR	15,672,727	68.40%		
BETWEEN 1-2 YEARS	7,239,840	31.60%		
Total Outstanding Reported in FS	22,912,567			

Committee Observations

The Committee observed that the company owed SHA and NHIF balances amounting to Ksh. 3,051,710 and Ksh. 77,163,884 respectively. The Management has appointed a debt management and recovery committee to formulate an effective Debt Recovery and management policy. Copies of the Appointment letters for the debt management and collection committee, were provided for the committee verifications.

Committee Recommendations

The Committee recommends that—

- i. the Accounting Officer should, within 60 days of the adoption of this report, submit a debtors' schedule to the Auditor-General for verification;**
- ii. the Accounting Officer should within 60 days of the adoption of this report, submit an approved copy of the Debt Management Policy to the Auditor general for verification. The Auditor-General to verify the policy and submit a status update on the same in the subsequent audit cycle.**

2. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Ksh. 22,523,388 as disclosed in Note 23 to the financial statements. However, supporting documents including bills of quantities, stores ledger, inspection and acceptance certificates, invoices and LPOs/LSOs were not provided for audit review. Further, no reason was given for failure to clear the trade and other payables some of which have been long outstanding.

In the circumstances, the accuracy, regularity and completeness of the trade and other payables balance of Ksh. 22,523,388 could not be confirmed.

Management Response

The payment vouchers with supporting document; copy of LSO/LPO, invoice, inspection and acceptance certificates, were submitted for audit review as per the copies of extract of Management response to the draft audit report and payment voucher with supporting documentation.

Committee Observations

The Committee noted that the Hospital payables balance of Kshs.194,926,613 which have been outstanding for more than one year. The management has entered into structured payment plans with key creditors, and is making payments progressively.

Committee Recommendations

The Committee recommends that; -

- i) **the Governor ensures that Accounting Officer engages all entities owed and formulate a payment plan for payables amounting to Ksh. 22,523,388 and file a report on the same to the Senate, and copy the Auditor-General for verification.**
- ii) **the County Executive Committee Member in charge of Health should continuously monitor the financial performance of the hospital in line with section 184 of the Public Finance Management Act and report on the same to the County Executive Committee, making recommendations on how the Hospital can improve its performance;**

3. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Ksh. 7,509,050 as disclosed in Note 22 to the financial statements. However, review of the Hospital records and physical inspection revealed that the Hospital had freehold land, buildings and motor vehicles whose values were not determined for inclusion in the statement of financial position.

In the circumstances, the accuracy, existence and completeness of property, plant and equipment balance of Ksh. 8,024,798 could not be confirmed.

Management Response

The value disclosed in the financial statement reflects only the assets acquired during the year under review. The management is the process of valuing all its assets before onboarding them in the subsequent financial years. As stated in the audit query the hospital owns land, buildings and motor vehicles that were not disclosed in the financial statement. The reason why these assets were not disclosed is that their values are not readily available. A copy of the letter to county commissioner requesting for valuers was submitted for the committee verification.

Committee Observations

The Committee observed that; -

- i) significant assets including land, buildings, motor vehicles are not reflected in the financial statements.
- ii) The Management is in the process of valuing all assets before onboarding them in subsequent financial year, as the hospital has requested valuers from the county commissioner.

Committee Recommendations.

The Committee recommends that; -

- i) The Governor ensures that the Accounting Officer expedites the asset valuation process and complete it within 90 days of adoption of this report by engaging qualified valuers immediately to determine the fair value of all land, buildings, and motor vehicles.
- ii) The Accounting officer updates the fixed assets register to include all hospital assets with proper identification to ensure all assets are properly valued and included in the next financial year's statements
- iii) The Accounting officer ensures implementation of a comprehensive asset management system with unique identification codes, conduct annual physical verification of all assets and reconcile with the register, establish a proper asset maintenance schedule to preserve asset value, and ensure adequate insurance coverage for all assets once valued.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts of Ksh. 97,691,046 and Ksh. 68,350,646 respectively resulting in an underfunding of Ksh. 29,340,400 or 43% of the budget. The underfunding of the Hospital may have affected delivery of medical services to the residents.

Management Response

The effect of strike on hospitals revenue collection and operations resulted in revenue loss of Ksh. 3,698,310 which represented by 3.8%. This is analyzed as per Table 2. Copies of the nurses' strike notice and return to work formula were attached for the committee verification.

S/NO	Item	Total Amount
1	Budget underfunding	29,340,400
2	Less: SHA reported Receivable	22,912,567
	Actual under-funding during the year.	6,427,833

$$210 \text{ days} \times (6,427,833/365) = 17,611$$

Total Revenue lost during the strike period =Ksh 3,698,310 (3.8%)

Committee Observations

The Committee observed that; -

- i) the management had a significant budget shortfall of 43% seriously which affected service delivery as it constrains the hospital's ability to deliver quality medical services

- ii) the Nurses' strike resulted in revenue loss of Ksh. 3,698,310 (3.8% of expected revenue) as the actual underfunding after accounting for the strike impact is Ksh. 6,427,833.
- iii) The budget execution rate was only 70%, indicating either unrealistic budgeting or revenue collection challenges

Committee Recommendations.

The Committee recommends that; -

- i) **the County Government should prioritize adequate funding for the hospital to meet approved budget levels**
- ii) **The Accounting Officer develops a realistic revenue projection based on historical performance and current capacity, implement aggressive revenue enhancement strategies to reduce dependency on exchequer allocations, establish contingency plans to mitigate the impact of industrial actions on revenue collection, conduct quarterly budget performance reviews and take corrective actions promptly.**
- iii) **The Board of Management should diversify revenue streams beyond SHA/NHIF to reduce dependency on single sources, strengthen revenue collection systems to minimize leakages and align budget estimates with realistic revenue projections and actual capacity.**

Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2024 highlighted several issues raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the 2024/2025 audit revealed that the matters listed below remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Cash Withdrawals from Revenue Account without Approval from the Board
2	2023/2024	Deficiencies in Implementation of Universal Health Coverage
3	2023/2024	Weaknesses in Revenue Collection System

Management Response

1. **Cash Withdrawals from Revenue Account without Approval from the Board**
Previously the Revenue collection from all the collecting facilities was controlled centrally at the Department. The Department has since decentralized revenue

collection and all expenditures are approved by the respective boards from facilities. Copies of letters from CECM finance on Authorizing decentralization of revenue collection, and an Extract of Board minutes for approvals, were attached for the Committee verification.

2. Deficiencies in Implementation of Universal Health Coverage

The facility has been reorganized to allow for renovation. All the departments that were reorganized moved along with their staff and medical equipment to avoid interrupting services delivery. The Departments which are still offering services at KCRH such as equipment, renal unit, eye unit, dental unit, mental health, physiotherapy, regional public health laboratory, and comprehensive care Centre have the relevant specialist and medical equipment.

3. Weaknesses in Revenue Collection System

Kitale County Hospital has a health management information system HMIS (MEDBOSS) system server which has a physical external hard disk that backup daily data. The backup mechanism is well established to prevent data loss. Implementation worked but failed later because the system was developed with an outdated platform (VB6.0) and could not catch up with updates with the latest technology that comes up with STK technology. The vendor owns the source code but it's the facility that manages the application since it's not a web-based system. The vendor cannot access the system without the permission from the facility management. Kitale county referral hospital is operating on existing financial laws, internal controls, supervisory approvals and system-based access controls which has ensured transparency and has minimized operational risk in revenue collection.

Committee Observations

The Committee observed that the management failed to implement the recommendations of the auditor general as indicated in the auditor generals' certificates

Committee Recommendations.

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 THE LAWFULLNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES.

1. Non-Compliance with the Fiscal Responsibility Principles

During the year under review, the Hospital had an approved annual budget estimate of Ksh. 97,691,046. Included in the annual budget is current expenditure estimate of Ksh. 92,160,046 or 94% and the capital expenditure estimate of Ksh. 5,531,000 or 6% of the approved budget. This was contrary to Regulations 26(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that, in addition to the fiscal responsibility principles set out in section 15(f) of the Act, the following fiscal responsibility principles shall apply in the management of public finances— pursuant to Section 15(5) of the Act, the national government expenditure on development shall be at least thirty percent in line with the requirement under Section 15(2)(a) of the Act. In the circumstances, Management was in breach of the law.

Management Response

The FIF Act 2023 Part II Public Health Facilities Improvement financing on uses of retained funds by the public health facilities states that the retained funds to be used to support public health facilities optimal operation to ensure readily available resources to purchase goods and services, procurement of essential products, commodities and technologies, facilitate primary health care and fund ambulance services for the transfer of patients. And therefore, the funds were budgeted and utilized as stipulated in the FIF Act 2023. A copy of the FIF Act 2023 was attached for the committee verification.

Committee Observations

The Committee observed that; -

- i) the hospital's development expenditure was only 6%, far below the statutory requirement of 30%
- ii) Management justified the allocation citing the Facility Improvement Financing (FIF) Act 2023
- iii) Excessive recurrent expenditure limits the hospital's ability to improve infrastructure and equipment while low capital investment affects the hospital's

long-term capacity and service delivery as this allocation pattern may perpetuate the infrastructure challenges at the facility.

Committee Recommendations.

The Committee recommends that; -

- i) The Governor ensures that the Accounting Officers realigns the budget allocation to comply with the 30% development expenditure requirement, and prepare a multi-year capital investment plan for infrastructure rehabilitation and equipment acquisition
- ii) The Accounting officer prioritizes capital projects that directly enhance service delivery capacity, establishes a dedicated capital development fund ring-fenced from operational expenses
- iii) Include infrastructure renovation and medical equipment procurement in the next budget cycle and engage the County Treasury to secure additional capital grants or loans for development.
- iv) The Auditor-General to monitor compliance with fiscal responsibility principles in all future budgets, in the subsequent financial year audits.
- v) The matter be marked as resolved.

2. Poor Management of Pharmaceuticals and Non-Pharmaceutical Supplies.

Physical verification at the Hospital stores carried out on 29 May, 2025 revealed the following unsatisfactory matters:

a) Expired Drugs

The Hospital had expired drugs, some of which expired in May, 2021. The expired drugs included twenty-five (25) boxes of the co-packed sachets of low ORC with Zinc Sulphates 20mg. The Management did not have an updated record of all the expired drugs with their respective quantities and values. Inquiry from the management revealed that there were no efforts initiated on the disposal or control of the expired drugs.

Management Response

The expired drugs were supplied by KEMSA have been sorted and segregated by management. KEMSA is the only body that was procedurally supposed to dispose of the expired drugs. Management has communicated in this regard but they are yet to respond to the request.

Committee Observations

The Committee observed that; -

- i) The Management did not have an updated record of all the expired drugs with their respective quantities and values, contrary to Section 160 (1,2, &3) of the Public Procurement and Asset Disposal Act, 2015.
- ii) the management had initiated the process of disposing the drugs, by contacting the KEMSA do dispose the drugs, procedurally.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

b) Non-Functioning Module on Pharmaceutical and Non-Pharmaceutical

Despite having a computer system software with the module on the management of the inventory of pharmaceutical and non-pharmaceutical stores, it was established that the module was not functioning and the Management opted for the use of manual mode of management of pharmaceutical and non-pharmaceutical supplies hence exposure to possible errors, omissions and losses.

Management Response

Management uses both manual and system based for inventory management. Pharmaceutical inventories are monitored through the system, while The Non pharmaceuticals are monitored manually. A copy of the MEDBOSS module screen-shot was attached for the committee verification.

Committee Observations

The Committee observed that the hospital uses MEDBOSS system which is currently updated and functional.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

c) Inconsistencies on Bin Card Records

Review of the bin card records for pharmaceutical and non-pharmaceutical stores revealed that some bin card records were not updated for the item received, issued and also the closing inventory, leading to unreliability in pharmaceutical and non-pharmaceutical stocks and reorder levels. This was contrary to Section 160(1, 2 & 3) of the Public Procurement & Disposal Act of 2015 provides that an accounting officer of a procuring entity shall manage its inventory, assets and stores for the purpose of preventing wastage and loss, and continuing utilization of supplies.

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

Management Response

At the time of Audit, some of the Bin cards had not been updated, the bin cards have since been updated and are available for audit review and verification, as per the attached copies of Pharmaceutical and non-pharmaceutical bin cards/stock control.

Committee Observations

The Committee observed that the hospital is currently using updated bin cards.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

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

Review of Hospital records and interviews with Management on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health policy Guidelines due to staff deficits as detailed below:

Inadequate Medical Specialists-Table 1

Item	Level4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	1	15	6
Anesthesiologists	2	0	2	0
General Surgeon	2	0	2	0
Gynecologists	2	1	1	50
Pediatricians	2	0	2	0
Staffing Levels Table				
Radiologists	2	0	2	0
Registered Community Health Nurses	75	26	49	35
Total	101	28	73	28

In addition, the Hospital lacked the necessary equipment and machines as per the Health Policy Guidelines as detailed below;

Services	Level4 Standard	Actuals in the Hospital	Variance	Percentage (%)
----------	-----------------	-------------------------	----------	----------------

Resuscitaire in Labour Ward	2	0	2	0
New Born Unit Incubators	5	0	5	0
New Born Unit Cots	5	0	5	0
Functional ICU Beds	6	0	6	0
High Dependency Units (HDU) Beds	6	0	6	0
Renal Units with at Least 5 Dialysis Machines	5	4	1	80
Two Functional Operational Theatre - Maternity & General	2	0	2	0
Central Sterile Services Department	1	1	0	100
Bed Capacity	150	5	145	97

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

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

Management Response

The facility has been reorganized to allow for renovation. All the departments that were reorganized moved along with their staff and medical equipment to avoid interrupting services delivery.

Committee Observations

The Committee observed that the staff deficit and lack of essential equipment at the hospital was due to reorganization of the services to Wamalwa Kijana Teaching and Referral Hospital.

Committee Recommendations

The Committee recommends that—

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

4. Under-Utilization of Hospital Facilities

Due to the transfer of almost 90% of services to the Wamalwa Kijana Teaching and Referral Hospital, Kitale County Referral Level 4 Hospital has remained largely underutilized with most of the wards, offices, medical examination rooms being empty.

Further, the Hospital has a reference laboratory whose total value including laboratory equipment is approximately Ksh. 500,000,000. During its time of full operation before transfer of services, the laboratory used to raise quarterly revenue of approximately Ksh. 3,000,000 from laboratory services. The laboratory has remained largely inactive with valuable equipment lying idle and underutilized.

In the circumstances, the value for money on the facility has not been realized from idle assets.

Management Response

The Regional Public Health Laboratory at KCRH is still active offering services at to Comprehensive Care Centre (CCC), the Tuberculosis (TB) clinic, and the Renal Unit. In addition, the laboratory receives samples from WKTRH, Sub- County Hospitals as well as being a research Centre for KEMRI in the region. Routine test has been moved due to

service reorganization of the facility. Copies of the Workload Report and KEMRI Collaborative Project on Ant-Microbial Resistance Surveillance were submitted to the committee for verification.

Committee Observations

The Committee observed that the hospital laboratory is still serving existing departments of the hospital, including the Comprehensive Care Centre, the Tuberculosis clinic, and the Renal Unit, as well as being used as reference laboratory and a research Centre by KEMRI.

Committee Recommendations

The Committee recommends that the management optimizes the use of facilities in the hospital premises to ensure that there is value for money to the public. The matter be however marked as resolved.

5. Non-Remittance of Public Procurement Capacity Building Levy

The statement of financial performance reflects general expenses and repairs and maintenance costs amounting to Ksh. 13,285,137. However, Management did not deduct and remit the requisite procurement capacity building levy. This was contrary to Section 3(1) of Legal Notice 206 of the Levy Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Absence of System-Based Controls and Configuration Unlike established statutory deductions such as Withholding Tax (WHT) and Retention, the Integrated Financial Management Information System (IFMIS) has not yet been configured to automatically flag, calculate, or deduct the 0.03% Capacity Building Levy. In the absence of automated system logic, the platform processes payments to completion without triggering an alert for the missing deduction, thereby bypassing standard electronic controls.

Committee Observations

The Committee observed that; -

- i) IFMIS system has not been configured to automatically calculate and deduct the 0.03% Capacity Building Levy, which led to non-compliance, as manual tracking of statutory deductions is prone to errors and omissions.

- ii) Non-remittance of the statutory deductions exposed the hospital to penalties and interest charges.

Committee Recommendations

The Committee recommends that; -

- iv) the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy
- v) Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist
- vi) Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.

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

1. Inadequate Controls on Revenue Collection System

Audit of the MEDBOSS revenue collection system at Kitale County Referral Level 4 Hospital revealed the following weaknesses that undermines its general objective towards optimum revenue collections:

- i. Management failed to install and maintain the system server to back up revenue data in case of threat of loss of data. Further the system was not web based.

Management Response

Kitale County Hospital has a health management information system (HMIS) (MEDBOSS) system server and also a physical external hard disk that backup daily data. The backup mechanism is well established to prevent data loss.

Committee Observations

The Committee observed that the hospital has a HMIS system (MEDBOSS) with an external hard disk as a back-up mechanism to prevent data loss, as required by Section 63 (1) (a)-(c) of the Public Finance Management (County Government) Regulations, 2015.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- ii. Despite the integration of the prompt Personal Identification Number (PIN) in the system, it was found not to be functioning.

Management Response

Implementation worked but failed later because the system was developed with an outdated platform (VB6.0) and could not catch up with updates with the latest technology that comes up with STK technology.

Committee Observations

The Committee observed that the PIN is not working as the outdated platform has not been updated to with the STK technology.

Committee Recommendations

The Committee recommends that accounting officer ensures that the system is updated to the latest technology that incorporates the STK technology, for a seamless and effective controls over the revenue collection systems.

- iii. The vendor of the revenue system was still in full control of the source code.

Management Response

The vendor owns the source code but it's the facility that manages the application since it's not a web-based system. The vendor cannot access the system without the permission from the facility management.

Committee Observations

The Committee observed that although the vendor owns the source codes, the facility manages the application, and thus the vendor cannot access the system without the facility management's permission.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- iv. There was lack of established standards, policies and regulations that employees responsible for operations of the revenue collection are required to follow for effective operation of the system and enhanced revenue collection.

Management Response

Kitale county referral hospital is operating on existing financial laws, internal controls, supervisory approvals and system-based access controls which has ensured transparency and has minimized operational risk in revenue collection.

Committee Observations

The Committee observed that the existing financial laws, internal controls and supervisory approvals enhance transparency and minimizes operational risk in revenue collection.

Committee Recommendations

The Committee recommends that the Accounting Officer should enhance the capacity of in-post officers in the hospital revenue collection departments in 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 in revenue collection.

2. Inadequate Fixed Assets Management

Physical verification of fixed assets carried out on 29 May, 2025 at Kitale County Referral level 4 Hospital (KCRH) revealed the following unsatisfactory matters;

- i. KCRH is made up of buildings which include administration block, theatres, pharmacy, morgue, laboratory amongst others. However, the buildings have not been given unique building identification numbers. It was therefore not possible to determine the exact number of buildings in the Hospital.

Management Response

Management acknowledges that buildings in KCRH have not been given unique identification numbers in terms of blocks. However, the buildings have been labeled according to their function and service delivery units. This approach is valid to Hospitals so as to provides a quick insight into the building's purpose and utilization for the general public, such as Ward 4/5, Pharmacy, General theatre, X-Ray, mortuary.

Committee Observations

The Committee observed that the hospital labeled its buildings according to functions, but no unique identification numbers.

Committee Recommendations

The Committee recommends that the management initiates proper controls over the hospital fixed assets, and that the matter be marked as resolved.

- ii. The Hospital did not have vehicles including ambulances. Explanation provided was that all vehicles of undisclosed number were transferred to Wamalwa Kijana County Referral Hospital within the Trans Nzoia County. No formal documentation was provided to confirm the transfers.

Management Response

There are two motor vehicles designated to KCRH: Utility vehicle, Nissan Double cab Hard body, Registration Number GKA 641Q, and Ambulance, Toyota Hiace Van, Registration number 26 CG 033A. The ambulance has not been transferred however its currently serving both KCRH and WKTRH but is mostly stationed at WKTRH due to higher workload.

Committee Observations

The Committee observed that the management still owns the vehicles, but are stationed at Wamalwa Kijana Teaching and Referral Hospital due to the heavier workload at the later hospital.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- iii. Fixed assets including furniture, computers and Hospital equipment were not tagged therefore it was not possible to determine their correct location and state of repair.

Management Response

Assets such as furniture, computers and medical equipment in most departments are not tagged. However, the biomedical engineering department keeps inventory of these assets and follows up on their servicing and maintenance. A notable exception is the Regional Public Health Laboratory where all assets are tagged, and their maintenance records tracked electronically. Management is undertaking will endeavor to replicate this in all other departments in future.

Committee Observations

The Committee noted that the hospitals biomedical assets' location and tracking is done by the biomedical department. However, the assets are yet to be tagged.

Committee Recommendations

The Accounting Officers ensures that all assets are properly tagged to ease identification and management of the assets.

- iv. Comprehensive care clinic unit within the Hospital is managed by the Hospital, Ampath and USAID. It was established that the two (2) donors manage various programs in the unit and also have assets including furniture and office equipment. However, no memorandum of understanding between the Hospital and the donors was provided to disclose the level of engagement with the County Referral Hospital for provision of equipment, furniture and medical services. Further, it was not confirmed how the two (2) entities conduct their programs in terms of budget and expenditure and how it is incorporated in the financial records of the Hospital.

Management Response

The Comprehensive Care Centre (CCC) is operated by the hospital management with support from USAID AMPATH UZIMA which is a USAID funded program. This partnership is guided by a memorandum of understanding between USAID Kenya and the Ministry of Health. USAID AMPATH UZIMA is the implementing partner for USAID in the County. AMPATH has an annual workplan and budget which were co-created with the Department of Health Services and Sanitation. This budget is not incorporated into the hospital's annual budget. It is executed by AMPATH in collaboration with the Department of Health Services and Sanitation, and audited separately by USAID engaged auditors. Copies of the USAID AMPATH UZIMA county workplan co-creation sign-up sheet were attached for the committee verification.

Committee Observations

The Committee observed that the hospital has a memorandum of understanding between USAID Kenya and the County Government. AMPATH is the implementing partner for USAID, and has an annual workplan and budget which was co-created with the department of Health Services and Sanitation.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

- v. A number of buildings including social work public health, outpatient department, mother and child, emergency unit, main theater and all wards were closed and not in use, dilapidated with no records of maintenance or cleanliness. Further, Magnetic Resonance Imaging equipment (MRI) was not working.

This was contrary to Section 149(2) of the Public Finance Management Act, 2012 which requires that an accounting officer shall ensure that the respective county government entity has adequate systems and processes in place to plan for, procure, account for, maintain, store and dispose of assets, including an asset register that is current, accurate and available to the relevant County Treasury or the Auditor-General.

Management Responses

Most building at KCRH were deemed unfit for occupation by public health office and NEMA. Therefore, the department has prioritized to provide a budget for renovations in the financial year 2026/2027. Copies of the Public Health statutory notice and the NEMA improvement order were attached for the committee verification.

Committee Observations

The Committee observed that the hospital has prioritized the renovation of the buildings in question, as they are no longer safe for occupation by the public health officers.

Committee Recommendations

The Committee recommends that the management initiates proper controls over the hospital fixed assets, as required by Section (2) (o) of the Public Finance Management Act, 2012.

3.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR WAMALWA KIJANA TEACHING AND REFERRAL LEVEL 4 HOSPITAL FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 20th January, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Wamalwa Kijana Teaching and Referral Level 4 Hospital for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Christopher Lorot - CECM health

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a **Qualified Opinion** on the financial statements of the Wamalwa Kijana Teaching and Referral Level 4 Hospital on the following basis; -

1. Unexplained Variance in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Ksh. 40,710,579 as disclosed in Note 18 to the financial statements. These receivables pertain to unpaid claims from the Social Health Authority (SHA). According to data retrieved from the SHA portal for Wamalwa Kijana Teaching and Referral Hospital, covering the period from 1 July, 2024 to 30 June, 2025 and accessed on 14 October, 2025, the following amounts were reported:

Category	Amount (Ksh)
Approved Claims	87,176,824.00
Paid Claims Unpaid Claim	60,562,102.00
Unpaid Claims	26,614,722.00

The unpaid claims of Ksh. 26,614,722 differ from the receivables of Ksh. 40,710,579 reported in the statement of financial position resulting in an unexplained variance of Ksh. 14,095,857.

In the circumstances, the accuracy and recoverability of the reported receivables from exchange transactions of Ksh. 40,710,579 could not be confirmed.

Management Responses

The value of outstanding claims on the SHA portal is not static, but keeps on changing as the claims are subjected to the verification process, where some of the claims are paid and

others sent back due to errors and omissions, which are re-submitted later to SHA after corrections and clarification has been made. The amount indicated by the SHA portal when accessed on different dates with the same parameters varies as per the attached copies of the table showing outstanding claims and payments from the SHA portal on different dates, SHA screenshots from the Dashboard, communication between Management and SHA, and table showing outstanding claims and payments from the SHA portal on different dates.

Committee Observations

The Committee observed that some of the hospital's claims to SHA were rejected due to late registration of the claims, inconsistencies in the doctor's license with the doctor details, and forging of several documents.

Committee Recommendations

The Committee recommends that; -

- i) The Governor ensures that the Accounting Officer ensure strict compliance with the provisions of regulation 90 (1) of Public Finance Management (County Government) Regulations 2015 with respect to monthly reconciliation of bank statements, failure to which the provisions of section 199 of the Public Finance Management Act, Cap.412A on penalties for offences shall apply.**
- ii) the Management should be trained on internal controls for revenue, cash, bank, and debtors management including how to effectively follow up on the Social Health Insurance Fund (SHIF) claims.**
- iii) The Governor ensures that the accounting officer reconciles the variance related to the hospitals claims to SHA, in accordance to Paragraph 1 (27) of the International Public Sector Accounting Standards**
- iv) 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;**

2. Financial Disclosure Gap on Property, Plant, and Equipment

The statement of financial position shows property, plant and equipment balance of Ksh. 11,136,744. However, the Management did not disclose land, buildings and motor vehicles in the financial statements.

In the circumstances, the accuracy and completeness of property plant and equipment of Ksh. 11,136,744 could not be confirmed.

Management Response

The figure of Ksh. 11,136,744 relates to asset acquired during the year. The management is in the process of valuing all its assets before onboarding them in the financial statements in the current and subsequent financial years. As stated in the audit query the Hospital owns land, buildings and motor vehicles that were not disclosed in the financial statements. The reason why these assets were not disclosed is that their values are not readily available. Copies of the letter to County commissioner requesting for valuers, and the List of assets were submitted for the committee verification.

Committee Observations

The Committee observed that management has an asset register. However, acquisition of ownership and valuation of assets has not been done. The management is in the process of valuing its land, buildings and motor vehicles, before onboarding them in the financial statements.

Committee Recommendations

The Committee recommends that-

- i. within sixty (60) days of the adoption of this report, the Governor, through the CECM responsible for matters 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budgeted receipts of Ksh. 242,052,309 against actual receipts of Ksh. 77,848,767 resulting to under-funding of Ksh. 164,203,542 or 68% of the budget.

In the circumstances, the underfunding may have negatively impacted on health service delivery to the public.

Management Response

The Hospital had outstanding SHA claims amounting to Ksh 40,710,579 as the 30th June 2025 and actual receipts of Ksh. 77,848,769 representing 49% of the estimated Budget during the period under review as per table 1. The medical fraternity engaged in various industrial strike for the nurses (60 days) county strike and clinical officers (150 days)-national strike totaling to 210 days of services not optimally offered. This hampered service delivery and collection of revenue as projected.

In addition, SHA & NHIF claims were not reimbursed adequately as expected by the end of the period under review and are reported in financial statement as receivables.

Copies of the Strike notice, and the Return-to-work formula.

S/NO	ITEM	AMOUNT	
1	Budgeted Receipts		58,022,837
2	Actuals Receipts	77,848,767	
3	SHA Claims submitted	40,490,789	
4	Revenue from rent of facilities	150,000	
5	Incinerator	69,790	
6	Department of Health Support	<u>65,470,336</u>	
7	Total revenue generated		<u>184,029,682</u>
8	24% Budget underfunding		58,022,837

Committee Observations

The Committee observed that the management had an under-funding of Ksh. 164,203,542 or 68% of the budget.

Committee Recommendations

- iii. the Accounting Officer should ensure strict compliance with section 149(2)(h) and (i) of the Public Finance Management Act, Cap. 412A and the standards prescribed by the Public Sector Accounting Standard Board under IPSAS 24 on the presentation of budget information in the financial statements for an entity that prepares financial statements under the accrual basis of financial reporting, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply; and
- iv. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance.

REPORT ON THE LAWFULLNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES.

1. Incomplete Construction of Wamalwa Kijana Teaching and Referral Hospital

As previously reported under the Trans Nzoia County Executive, the Trans Nzoia County Government planned to construct The Proposed Wamalwa Kijana Teaching and Referral Hospital at a contract sum of Ksh. 1,602,528,713. The contract awarded to a construction firm was to be implemented in two (2) phases, with estimated completion period of Phase 1 – 52 weeks and Phase 2 – 62 weeks. The 350-bed facility was aimed at providing specialized medical services to the public. According to the records provided for audit review. Phase 1 of the project was completed on 23 July, 2016.

Phase 2 of the project commenced on 15 December, 2018 with projected completion date of 30 September, 2020. However, as at June, 2025, the project was incomplete and was approximated at 70% complete even though Ksh. 1,640,000,000 (Approx. 102% of the contract amount) had been paid. The contractor was not on site and had abandoned the project without attending to the snag list of pending works.

Further, the audit confirmed that the Hospital was in use with partial completion certificate. The Management has been conducting piecemeal construction of the Hospital in various departments and a total of Ksh. 9,659,016 was utilized in the financial year 2024/2025. However, the Management has not captured the expenditure in the asset register. In the circumstances, the value for money on the expenditure of Ksh. 1,640,000,000 incurred on the project could not be confirmed.

Management Response

Management noted that this query appeared in the audit report for the year ended June 2024 and was responded to adequately as per the Annex 4a (Page 64-65) The correct cost of repairs and maintenance amounts to Ksh 3,070,871 as indicated by Note 14 of the Audited Financial statements and not Ksh. 9,659,016.

Further cost incurred in maintenance of property building was not captured in the asset register since it's still work-in-progress.

Committee Observations

The Committee observed that the hospital building was in use despite being only at 70% level of completion. The contract sum was paid in full after contract variation, and the contractor had abandoned the work and has not resumed.

Committee Recommendations

The governor should ensure that the accounting officer engages the contractor, to deliberate on completion of the project, in order for the public to realize value for money from the project. The Auditor-General to keep this matter in view in the subsequent audit cycle.

2. Non-Remittance of Public Procurement Capacity Building Levy

During the financial year ended 30 June, 2025, the Hospital paid local purchase orders/local service orders and contracts amounting to Ksh. 75,993,354. However, the Management did not deduct the capacity building levy of 0.03% of the contract amount paid.

This was contrary to paragraph 3(1) of Legal notice 206 of the Levy order, 2023 which states that there shall be paid a Levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Lack of IFMIS Configuration & Automated Flagging. Unlike statutory deductions like Withholding Tax (WHT) or Retention, the Integrated Financial Management Information System (IFMIS) is not currently configured to recognize the 0.03% Capacity Building Levy. Without an automated "logic" in the IFMIS system, the platform allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Observations

The Committee observed that the Hospital failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- vii) the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- viii) Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- ix) Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.**

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

1. Lack of Risk Management Policy

Review of the internal operating environment of the Hospital revealed that the Hospital did not have a risk management strategy contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer shall ensure that—(a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal control that builds robust business operations. In the circumstances, absence of a risk management policy exposes the Hospital to operational vulnerabilities due to unmanaged risks.

Management Response

The hospital uses the County Approved Risk Management Policy Framework. An extract of the Risk Management Policy Framework was attached for the committee verification.

Committee Observations

The Committee observed that the hospital has an approved Risk Management Framework.

Committee Recommendations

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

2. Weak Controls over the Management of Fixed Assets and Under-utilization of Medical Facilities at Kitale County Referral Hospital.

The transfer of 90% of medical services from Kitale County Referral Hospital to Wamalwa Kijana Teaching and Referral Hospital resulted into transfer of movable fixed assets. Among the assets transferred were undisclosed number of vehicles including ambulances. Corroboration of information on medical services and related activities at Kitale County Referral Hospital revealed that the Hospital facilities have remained largely under-utilized including reference laboratory with state-of-the-art laboratory equipment valued at approximately Ksh. 500,000,000.

In the circumstances, proper management of fixed assets, cooperation/synergy and value for money from the two Hospitals could not be confirmed.

Management Response

The Regional public health laboratory was built by the world bank to serve the North Rift region and the surrounding areas. The department of health services and sanitation procures laboratory reagents and supplies that are delivered to the reference laboratory and are used by the various departments that remained at Kitale County Referral Hospital after the transfer of services. Furthermore, the said laboratory receives samples from Wamalwa Kijana Teaching & Referral hospital, the sub-county hospitals and other hospitals within for tests that are not available at these health facilities, as well as being a research Centre for KEMRI in the region. Copies of the Workload report from the laboratory and the KEMRI partnership agreements were submitted for the committee verification.

Committee Observations

The Committee observed that the hospital laboratory is still serving existing departments of the hospital, including the Comprehensive Care Centre, the Tuberculosis clinic, and the Renal Unit, as well as being used as reference laboratory and a research Centre by KEMRI.

Committee Recommendations

The Committee recommends that the management optimizes the use of facilities in the hospital premises to ensure that there is value for money to the public. The matter be however marked as resolved.

CHAPTER FOUR: FUNDS

4.1. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY CLIMATE CHANGE FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, Hon. George Natembeya EBS, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Climate Change Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Emmanuel Masungu - Chief Officer, Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Trans Nzoia County Climate Change Fund on the following basis; -

1. Budgetary control and performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual receipts of Ksh. 360,289,277 and Ksh. 350,913,985 respectively for the year ended 30 June 2025 resulting to underfunding of Ksh. 9,375,292 or 3 % of the budgeted funds. Further, the Fund spent an amount of Ksh. 201,214,569 against actual receipts of Ksh. 350,913,985 resulting to under-utilization of Kshs188,942,662 or 53% of actual receipts. The under-funding and underutilization affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The underfunding of Ksh. 9,375,292 was occasioned by under collection of Own Source Revenue (OSR). The under-utilization of Ksh. 136,105,337 was occasioned by water projects (Dams and pipeline extension) that were ongoing as at 30th June 2025 as well as delay in the exchequer releases. Most of these projects are complete and operations. Copies of the Own Source Revenue Report FY 2024-2025, Extract of Bank statement as at 30th June 2025 and the Project Implementation Status as at 30th June 2025, were attached for the Committee verification.

Committee Observations

The Committee observed that; -

- i) the fund suffered an underfunding of Ksh. 9,375,292 or 3 % of the budgeted funds, occasioned by under collection of Own Source Revenue (OSR);
- ii) The fund suffered an under-utilization of Kshs188,942,662 or 53% of actual receipts, due to delay in the exchequer releases, which affected the planned activities and may have impacted negatively on service delivery to the public.

Committee Recommendations

The Committee recommends that; -

- i. **the Governor ensures that the County Treasury ensures timely disbursement of funds to the Fund account, to enable it to execute its budget on time for the benefit of the public.**
- ii. **the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle.**
- iii. **the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

1. Procurement Capacity Building Levy Observation

Paragraph 3(1) of Public Procurement Capacity Building Levy Order, 2023 (legal notice no.206) requires that all entities deduct 0.03 % of all procurement purchases during the year. However, the Management of the Fund did not make any deductions during the year. In the circumstance, the Fund Management is in breach of PPRA directive.

Management Response

The reasons for non-deduction and remittance of the Public Procurement Capacity Building Levy include: (a) Absence of System-Based Controls and Configuration to comply with the Public Procurement Capacity Building Levy Order. Unlike established statutory deductions such as Withholding Tax and Retention, IFMIS has not yet been configured to automatically flag, calculate, or deduct the 0.03% Capacity Building Levy.

In the absence of automated system logic, the platform processes payments to completion without triggering an alert for the missing deduction, thereby bypassing standard electronic controls. (b) Exemption as per the Legal Notice No. 206. The FLLOCA program funds are

fully financed by development Partners and thus exempted from paying Public Procurement Capacity Building Levy order. A copy of the Legal Notice No. 206 (Section 8) was attached for the committee verification.

Committee Observations

The Committee observed that the fund management failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- i) the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- ii) Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- iii) Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are made as well as engaging the Public Procurement Regulatory Authority (PPRA) for guidance on compliance.**

4.2. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY NAWIRI FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, Hon. George Ntembeya EBS, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Nawiri Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—
Mr. Emmanuel Masungu - Chief Officer, Finance

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Unqualified Opinion on the financial statements of the Trans Nzoia County Nawiri Fund on the following basis; -

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget and actual receipts of Ksh 12,628,000 and Ksh 1,906,955 respectively resulting in an underfunding of Ksh 10,721,045 or 85% of the budget. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The underfunding was as result of under collection of own source revenue and budget reduction of Ksh 258,092,450. However, the underfunding did not affect the planned activities. It is a revolving fund. The budgetary allocation was meant to boost the capital base. An extract of the Approved Budget 2024/2025 and copies of County Allocation of Revenue Act, 2024 and Own Source Revenue Performance 2024/2025 were attached for the committee verification.

Committee Observations

The Committee observed that the fund suffered an underfunding of Ksh 10,721,045 or 85% of the budget due to under collection of own source revenue and budget reduction, which consequently affected the planned activities and may have impacted negatively on service delivery to the public.

Committee Recommendations

The Committee recommends that; -

- i. the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle.
- ii. the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.

Unresolved Prior Year Matters

The audit report for the year ended 30th June 2024 highlighted several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance respectively. Review of the status during the 2024/2025 audit revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Lack of an Insurance Policy for the Loans Disbursed
2	2023/2024	Irregular Internal Borrowing
3	2023/2024	Long Outstanding Unaccounted Imprest
4	2023/2024	Long Outstanding Receivables from Exchange Transactions

Management Response

	Financial Year	Audit Issue	Management Response	Status
1	2023/2024	Lack of an Insurance Policy for the Loans Disbursed		Resolved
2	2023/2024	Irregular Internal Borrowing	Management has made the necessary follow up on the respective borrowers to have the funds reimbursed	
3	2023/2024	Long Outstanding Unaccounted Imprest	Management has made the necessary follow up on the named individuals to have the imprest refunded	

4	2023/2024	Long Outstanding Receivables from Exchange Transactions	Management is in the process of having the unperforming loans written off	
---	-----------	---	---	--

Committee Observations

The Committee observed that the management has made progress in deliberating on the audit recommendations on the unresolved prior year issues as raised by the Auditor General in the Financial Year 2023/2024.

Committee Recommendations

The Committee recommends that—

- i) the Accounting Officer should resolve any issues resulting from an audit that remains outstanding as required by section 149(2)(l) of the Public Finance Management Act, Cap. 412A, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences may apply; and
- ii) the Governor ensures the accounting officer submits a detailed status report to the Senate, and copy to Auditor General, on the mitigation measures taken to resolve prior year matters within 60 days of the adoption of this report,

REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1. Default in Repayments of Loans and Failure to Insure the Loans Disbursed

The statement of financial position reflects long term receivables from exchange transactions balance of Ksh 16,786,083 as disclosed in Note 7 to the financial statements. The balance includes loans amounting to Ksh 1,111,621 disbursed between 2016 and June 2024 which has remained outstanding to date.

This was contrary to section 14(5) of the Trans Nzoia County Nawiri Fund Act 2015 which states that where a loanee and a guarantor who has been notified by the Board under subsection 4(a) and (b) fails or refuses to repay such loan together with any interest accrued thereon, the loanee and guarantor shall be guilty of an offence and liable to civil proceedings in accordance with the provisions of the Act.

Further as disclosed in Note 7 to the financial statements, the total receivables from exchange transactions excluding the inter-entity lending is a balance of Ksh 62,527,827

which management has failed to take an insurance cover contrary to section 10(1) of the Trans Nzoia County Nawiri Fund Act, 2015 which gives power to the Board to undertake actions necessary for proper performance of its functions and sub-section 2(h) which gives authority to the Board to take out insurance cover to mitigate against unfavorable occurrences such as death, incapacity or inability to pay.

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

Management Response

The outstanding receivables of Ksh 1,111,621 was disbursed between 2016 and 2020 before the current administration. The current administration has revamped the fund through LSO/LPO financing model financing that is linked via the bank and IFMIS system to facilitate automatic recovery of loaned amounts.

An extract of board minutes discussing loan insurance and copies of Demand letters issued out and Loan Schedules and Request to write off debts were attached for the committee.

Committee Observations

The Committee observed that; -

- i) the fund management failed to recover long outstanding loans amounting to Ksh 1,111,621, contrary to section 14(5) of the Trans Nzoia County Nawiri Fund Act 2015;
- ii) the fund management failed to insure loans disbursed amounting to Ksh 62,527,827 which management has failed to take an insurance cover contrary to section 10(1) of the Trans Nzoia County Nawiri Fund Act, 2015.

Committee Recommendations

The Committee recommended that; -

- i. the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and
- ii. The Accounting Officer to undertake a detailed analysis of its long outstanding loans, and with the Board's approval, write off the irrecoverable loans in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.

2. Non -Recovery of Long Outstanding Imprest

Review of documents revealed long outstanding temporary imprest amounting to Ksh 2,900,000 which was issued to two (2) officers at the Department of Finance in Trans Nzoia County Government on 8th July, 2015.

The imprest has remained outstanding for more than ten (10) years with no recovery measures being instituted on the imprest holders. This was contrary to Regulation 93(6) of the Public Finance Management (County Governments) Regulations, 2015 which provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank of Kenya rates.

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

Management Response

The Management issued demand letters to the respective officers to have the monies reimbursed. A copy follows up letter and Request to follow up unaccounted for Imprest were attached for the committee verification.

Committee Observations

The Committee observed that the fund management had a long outstanding temporary imprest amounting to Ksh 2,900,000 which was issued to two (2) officers at the Department of Finance in Trans Nzoia County Government.

Committee Recommendations

The Committee recommends that; -

- iii. the Governor ensures the Accounting Officer, within 60 days of the adoption of this report, submits an approved copy of the Imprest Recovery 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 that the Accounting Officer, within 60 days of the adoption of this report, puts in place recovery measures for the outstanding imprest amount with clear timelines, as required by Regulation 93 (6) of the Public Finance Management (County Government) Regulations, 2015. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle.**

3. Non- Renewal of the Fund for Continued Operations

Review of documents revealed that the Fund was established in May 2015 with an initial approval for operation for a period of ten (10) years. However, the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly.

This was contrary to Regulation 19(1)(i) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the initial approval for the establishment of a county public fund shall be for a maximum period of ten (10) years, beyond which the County Executive Committee and County Assembly approvals shall be sought.

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

Management Response

Management has reviewed the Trans Nzoia Nawiri Fund Act and Submitted the County Assembly. A copy of reviewed Act forwarded to the County Assembly was attached for the committee verification.

Committee Observations

The Committee observed that; -

- i) the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly, contrary to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015.
- ii) The fund management had revised the Act and forwarded to the County Assembly for approval.

Committee Recommendations

The Committee recommends that the management fastens the approval of the bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act. The Auditor General to keep this matter on check during the subsequent financial year audit, to confirm compliance.

4. Non-Remittance of Public Procurement Capacity Building Levy

Review of documents revealed that Management did not deduct and remit the public procurement capacity building levy. This was contrary to Paragraph 3(1) of Legal Notice 206 of the Levy Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of

zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

Management Response

Absence of System-Based Controls and Configuration: Unlike established statutory deductions such as Withholding Tax and Retention, IFMIS has not yet been configured to automatically flag, calculate, or deduct the 0.03% Capacity Building Levy.

In the absence of automated system logic, the platform processes payments to completion without triggering an alert for the missing deduction, thereby bypassing standard electronic controls.

Committee Observations

The Committee observed that the fund management failed to deduct and remit the capacity building levy of 0.03% of the contract amount paid, as required by paragraph 3(1) of Legal notice 206 of the Levy order, 2023, due to failure to automate "logic" in the IFMIS system, which allows payments to be processed to completion without alerting the accountant of the missing deduction.

Committee Recommendations

The Committee recommends that—

- i. the Governor ensures that the accounting officer immediately computes and remit the outstanding procurement capacity building levy for FY 2024/2025, and work with IFMIS administrators to configure automatic deduction and remittance of the levy**
- ii. Establish manual controls until IFMIS configuration is complete to ensure future compliance and maintain a register of all procurement contracts to track levy obligations as well as including levy remittance as a key control in the procurement process checklist**
- iii. Train procurement and finance staff on statutory deduction requirements and conduct periodic compliance audits to ensure all statutory deductions are paid on time.**

4.3. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY YOUTH AND WOMEN DEVELOPMENT FUND FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Trans Nzoia County, Hon. George Natembeya EBS, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Youth and Women Development Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers—

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Unqualified Opinion on the financial statements of the Trans Nzoia County Youth and Women Development Fund on the following basis; -

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

1.1. Non-Recovery of Long Outstanding Loans

The statement of financial position reflects current portion of long-term receivables from exchange transactions balance of Kshs.75,726,461 and Interest receivable from exchange transactions of Kshs.8,601,400 which have remained outstanding from the financial year 2013/2014. No evidence of the efforts made to recover the amounts was provided for audit. The non-recovery of the outstanding loans contravenes section 29 (3) of Trans Nzoia County Youth and Women Development Fund Act, 2014 which states that, any unrepaid loan including, administrative management fee thereon, shall be recoverable by the Board as a civil debt, without prejudice to the Board's right of realization of any security advanced in securing the loan.

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

Management Response

The following measures have been taken;

- a) Demand notices have been issued to loan defaulters
- b) b) A debt recovery committee has been appointment
- c) c) Debt recovery committee Inception minutes

Copies of Demand notice, Appointment letters, and Inception Minutes were submitted for the committee verification.

Committee Observations

The Committee observed that loans amounting to Kshs.8,601,400 which have remained outstanding from the financial year 2013/2014, contrary to section 9 (3) of Trans Nzoia County Youth and Women Development Fund Act, 2014.

Committee Recommendations

The Committee recommended that; -

- i. 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, in line with Section 9 (3) of the Trans Nzoia County Youth and Women Development Fund Act, 2014. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and
- ii. The Accounting Officer to undertake a detailed analysis of its long outstanding loans, and with the Board's approval, write off the irrecoverable loans in line with the Section 130 (2) (d) of the Public Finance Management (County Governments) Regulations, 2015.

1.2 Lack of an Approved Budget

During the financial year under review, the management of the Fund did not prepare a budget in compliance with the budget guidelines. This was contrary to section 24 (1) of the Trans Nzoia County Youth and Development Fund Act, 2014 which states that at least three months before commencement of each financial year, the Board shall cause to be prepared estimates of the revenue and expenditure of the Fund for that year.

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

Management Response

The objective of the fund is similar with those of the Nawiri fund. Plans are underway to establish a social empowerment fund to take care of the vulnerable citizens in the county.

Committee Observations

The Committee observed that; -

- a. the fund failed to prepare a budget in compliance with the budget guidelines, as required by section 24 (1) of the Trans Nzoia County Youth and Development Fund Act, 2014.

- b. The fund management had revised the Act to establish the Social Empowerment Fund, and had forwarded the bill to the County Assembly for approval.

Committee Recommendations

The Committee recommends that the management fastens the approval of the bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act. The Auditor General to keep this mater on check during the subsequent financial year audit, to confirm compliance.

1.3 Continued Operation of the Fund Without Renewal of Approval

The Trans Nzoia County Youth and Women Fund was established in 2014 with an initial approval for a period of ten (10) years. However, the fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly as required under regulation 197 (1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the initial approval for the establishment of a County Public Fund shall be for a maximum period of ten (10), years beyond which the County Executive Committee and County Assembly Approvals shall be sought.

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

Management Response

Plans are underway to establish a social empowerment fund to take care of the vulnerable citizens in the county.

Committee Observations

The Committee observed that; -

- i) the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly, contrary to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015.
- ii) The fund management had revised the Act to establish the Social Empowerment Fund, and had forwarded the bill to the County Assembly for approval.

Committee Recommendations

The Committee recommends that the management fastens the approval of the reviewed bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act, pursuant to Regulation 197 (1) (i) of the Public Finance

Management (County Governments) Regulations, 2015. The Auditor General to keep this matter on check during the subsequent financial year audit, to confirm compliance.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Lack of an Internal Audit Function

The Fund did not have an internal audit function but relied on audit services from internal audit department of the County Executive of Trans Nzoia.

However, there was no evidence of an internal audit activity conducted during the financial year under review hence there were no internal audit reports, audit work plans, or engagement documentation. were availed for audit review.

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

Management Response

Copies of the Internal audit report, Work Plans, Approval Minutes and Engagement Letter were availed for the committee verification.

Committee Observations

The Committee observed that the management has established an internal functional audit function.

Committee Recommendations

The Committee recommends that the matter be marked as addressed.

Lack of a Substantive Board

Review of documents revealed that all the Board members' terms expired on 30 June 2018, while a new Board has not been constituted. Further, the Fund did not have a succession plan in place to cushion it against management and operational gaps.

In the circumstances, the effectiveness of the Board to effectively govern the Fund could not be confirmed.

Management Response

Plans are underway to establish a social empowerment fund to take care of the vulnerable citizens in the county.

Committee Observations

The Committee observed that the management is in the final stages of establishing the Social Empowerment Fund to cushion the vulnerable citizens in the county.

Committee Recommendations

The Committee recommends that the management fastens the approval of the reviewed bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act, pursuant to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015. The Auditor General to keep this mater on check during the subsequent financial year audit, to confirm compliance.

4.4. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY ELIMU BURSARY FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Elimu Bursary Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers —

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered an Unqualified Opinion on the financial statements of the Trans Nzoia County Youth and Women Fund on the following basis; -

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts of Ksh. 125,000,000 and Ksh. 104,451,795 respectively resulting in an underfunding of Ksh. 20,548,205 or 16% of the budgeted funds.

Further, the Fund spent an amount of Ksh. 42,545,431 against actual receipts of Kshs104,451,795 resulting in under-utilization of Ksh. 61,906,364 or 59% of actual receipts.

The under-funding and underutilization of funds affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

The Under- Funding and underutilization of Funds was as result of Under collection of Own Source Revenue Ksh. 136,105,337 and Reduction in County Budget by Ksh 258,092,450. Copies of the Budget FY 2024/2025, CARA act 2024, and Own Source Revenue Performance Report FY 2024-2025 were attached for the committee verification.

Committee Observations

The Committee observed that the fund suffered an underfunding of Ksh. 20,548,205 or 16% of the budgeted funds and an under-utilization of Ksh. 61,906,364 or 59% of actual receipts due to Under collection of Own Source Revenue and a reduction in County Budget.

Committee Recommendations

The Committee recommends that;-

- i) the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle;**
- ii) the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Failure to Comply with Bursary Disbursement Guidelines

Review of documents revealed that Management disbursed bursaries totaling Ksh. 35,927,395 to secondary schools during the year under review.

However, there was no evidence of allocation of bursaries to physically challenged and students in the vocational colleges.

This was contrary to section 11 (9) of the Trans Nzoia Elimu Bursary Fund Act, 2014 which requires that for each disbursement, the Board shall set aside a sum of at least five per centum (5%) of the total allocation to cater for the physically challenged and a sum of at least thirty per centum (30%) of the total allocation to cater for students in the vocational colleges.

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

Management Response

A total number of 280 PLWD who applied for the Bursary, were all issued with bursaries totaling to 1,349,000/= (3.75%). Further, due to the demand from secondary schools whose exams were on-going. Priority was given to secondary schools' needy students to enable them sit for exams.

The management anticipated that remaining balance was to cater for Vocational colleges which was later affected by budget cuts and under collection of own source revenue.

Copies of the List of all PLWD students allocated Ksh. 1,349,000, CARA Act 2024, and Budget 2024/2025 were attached for the committee verification.

Committee Observations

The Committee observed that the management failed to submit evidence to support allocation of 5% of the total allocated bursaries amount to physically challenged and students in the vocational colleges, as required by Section 11 (9) of the Trans Nzoia Elimu Bursary Fund Act, 2014.

Committee Recommendations

The Committee recommends that the management adheres to Section 11 (9) of the Trans Nzoia Elimu Bursary Fund Act, 2014, by ensuring that 5% of the total allocated amount is allocated to physically challenged students. The Auditor General keeps this matter in view during the subsequent financial year audit.

2. Failure to Gazette Ward Bursary Committees

Review of documents revealed that the ward bursary committees did not meet during the financial year under review and were not gazetted. This was contrary to Section 12 (4) of Trans Nzoia Elimu Bursary Fund Act, 2014 which requires that the executive committee member for education shall cause their names to be published in the county gazette. Further, the priority lists of proposed beneficiaries by each village to the ward bursary committees were not provided for audit review.

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

Management Response

There was no new vetting of the Elimu Bursary, the disbursement was a continuation of the previously vetted applicants.

Committee Observations

The Committee observed that the ward bursary committees did not meet during the financial year under review and were not gazette. The management is in the process of renewing the contracts of the existing board members.

Committee Recommendations

The Committee recommends that the matter be marked as resolves.

3. Operation of County Public Fund without Renewal of Approval

The Fund was established in 2014 with an initial approval for a period of ten (10) years. However, the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly contrary to Regulation 197(1) of the Public Finance Management (County Government)

Regulations, 2015 which requires that the initial approval for the establishment of a county public fund shall be for a maximum period of ten (10) years, beyond which the county Executive committee and county Assembly shall be sought.

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

Management Response

The County government is currently operating on the signed Intergovernmental participatory agreement to operationalize the issuance of bursary. A copy of the Intergovernmental Agreement was attached for the committee verification.

Committee Observations

The Committee observed that; -

- i) the Fund has continued to operate beyond this period without evidence of renewal of approvals from the County Executive Committee and the County Assembly, contrary to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015.
- ii) The fund management had submitted the reviewed bill to the County Assembly for approval, and is currently using the signed Intergovernmental agreement to operationalize the issuance of the bursary.

Committee Recommendations

The Committee recommends that the management fastens the approval of the reviewed bill at the County Assembly, to ensure functionality and compliance of the fund to its enabling Act, pursuant to Regulation 197 (1) (i) of the Public Finance Management (County Governments) Regulations, 2015. The Auditor General to keep this matter on check during the subsequent financial year audit, to confirm compliance.

4.5. REPORT ON THE AUDITED FINANCIAL STATEMENTS FOR TRANS NZOIA COUNTY EXECUTIVE CAR LOAN AND MORTGAGE SCHEME FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Trans Nzoia County, **Hon. George Natembeya EBS**, appeared before the Committee on Tuesday 10th March, 2026, to respond (under oath) to audit queries raised in the report of the Auditor-General on financial statements for the Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund, for the Financial Year 2024/2025.

The Governor was accompanied by the following officers —

REPORT ON THE FINANCIAL STATEMENTS

The Auditor-General rendered a Qualified Opinion on the financial statements of the Trans Nzoia County Executive Car Loan and Mortgage Fund on the following basis; -

1. Unsupported Current Receivables from Exchange Transaction

The statement of financial position reflects current portion of receivables from exchange transaction balance of Kshs.2,247,949 as disclosed in Note 10 to the financial statements. However, supporting ledgers and schedules for the balance were not provided for audit review.

In the circumstances the accuracy and completeness of current portion of receivables from exchange transaction balance of Ksh. 2,247,949 could not be confirmed.

Management Response

The supporting ledger and schedule of Kshs.2,247,949 were availed to the Auditor during the management response to the draft audit report. Copies of the Management response Letter and Ledger and Schedules were attached for the Committee verification.

Committee Observations

The Committee noted that the management failed to submit supporting ledgers and schedules for the exchange transaction balance of Kshs.2,247,949, for audit review. However, the documents were later availed during the exit meeting with the auditors.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Unsupported Long-Term Receivables from Exchange Transactions

The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.94,711,265 as disclosed in Note 10 to the financial statements. However, supporting ledgers and schedules for the balance were not provided for audit review.

Further, review of opening balance records from the Fund bank account revealed discrepancies in outstanding loans of two (2) members totaling to Ksh. 12,200,000 which were not included in the closing balance.

Further, a total of eighty-three (83) amortization schedules were provided for fifty-nine (59) officers, an indication of undocumented loan adjustments and possible issue of multiple loans to officers.

In the circumstances, the accuracy and completeness of long-term receivables from exchange transactions balance of Ksh. 94,711,265 could not be confirmed.

Management Response

- i) The supporting ledger and schedule of Kshs.94,711,265 were availed to the Auditor during the management response to the draft audit report.
- ii) The two officers outstanding loan balance of Kshs.12,200,000 was included in the closing balance in the amended financial statement during the Management Response to the draft audit report.
- iii) There were no multiple issuances of loan to officers. The reason for Eighty-three (83) amortization schedule against the fifty-nine (59) officer was due to shortage of funds against the loan application resulting to issuance of loans in instalment. Further some officers benefited from both Car Loan and Mortgage.

Copies of the Ledger and Schedule and an Extract of the Amended Financial Statement and the Loan issuance Schedule were attached for the committee verification.

Committee Observations

The Committee noted that; -

- i) the management failed to submit supporting ledgers and schedules for the exchange transaction balance of Kshs.94,711,265, for audit review. However, the documents were later availed during the exit meeting with the auditors.
- ii) There were discrepancies in outstanding loans of two (2) members totaling to Ksh. 12,200,000 which were not included in the closing balance. However, this amount was included in the closing balance in the submitted amended financial statement.

- iii) There was an indication of undocumented loan adjustments and possible issue of multiple loans to officers. However, the management explained satisfactorily that it was instead an issuance of the loans in installments, as per the verified loan issuance schedule.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

3. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.55,000,000 as disclosed in Note 12 to the financial statements. The balance is in respect of a loan from a local bank taken on 27 March, 2023 for the provision of administration services to the Scheme Fund out of which it provided Kshs.50,000,000 to the Fund.

However, Management recognized the liability into the financial statements at a higher amount of Kshs.55,000,000 hence increasing the liability by Kshs.5,000,000. No explanation or supporting documents was given for the additional increase in liability.

In the circumstances, the accuracy and completeness of trade and other payables from exchange transactions of Kshs.55,000,000 could not be confirmed.

Management Response

Ksh. 5,000,000 was a liability brought forward from the previous audit certificate in relation to an approved loan applications form that remained un-serviced. Copies of the Loan applications were availed for the Committee verification.

Committee Observations

The Committee observed that; -

- i) the management failed to provide supporting documents to explain an additional increase in a loan liability amounting to Ksh 5,000,000 from a local bank taken on 27 March, 2023 for the provision of administration services to the Scheme Fund.
- ii) The amount was a liability brought forward from the previous audit certificate in relation to unapproved loan applications that remained un-serviced.

Committee Recommendations

The Committee recommends that the Accounting Officer should ensure timely submission of documents during the audit process in line with Section 9(1)(e) of the

Public Audit Act, Cap.412B, and Section 149 (2) (c) of the Public Finance Management Act, 2012, failure to which the Committee shall recommend for their investigation and prosecution in accordance with section 62(2) of the Public Audit Act in the subsequent audit cycle.

Emphasis of Matter

Budgetary Control and Performance

The statement of Comparison of budget and actual amounts reflects a final income budget of Kshs.28,550,000 while actual income total was Kshs.3,382,261 resulting in a shortfall of Kshs.25,167,739 or 88% of the budget.

The shortfall in income may have negatively affected planned programmes of the Fund.

Management Response

The underfunding was occasioned by the shortfall in Own source Revenue Kshs.136,105,337 and Counties' budget reduction on the equitable share of Ksh. 258,092,450. Extracts of the Budget, CARA 2024 and Revenue Performance Report were attached for the Committee verification.

Committee Observations

The Committee observed that the fund suffered an underfunding of Kshs.25,167,739 or 88% of the budget which might have negatively affected planned programmes of the Fund.

Committee Recommendations

The Committee recommends that; -

- i) the fund management should institute proper and realistic budget planning as well as measures to enhance its own generated revenue, as required by Section 104 (1) (d) of the Public Finance Management Act, 2012. The Auditor-General to confirm the effectiveness of the mitigating measures exerted by the fund management and report in the subsequent audit cycle.**
- ii) the Accounting Officer should comply with regulation 42(1)(b) of the Public Finance Management (County Government) Regulations, 2015 on exerting budgetary control measures, failure to which the provisions of section 199 of the Public Finance Management Act on penalties for offences shall apply.**

Basis for Conclusion

1. Defaulted Loan Repayments

Review of records indicated that twenty-eight (28) officers had ongoing mortgage recoveries, while five (5) officers were in default with outstanding balances of Kshs.7,000,000 which included one (1) officer whose loan of Kshs.6,000,000 had been dormant since August 2022 with no recovery action being initiated.

This was contrary to Regulation 19 of Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund Regulations of 2023 which provides that the Committee may call in a loan and in default sell the motor vehicle or charged property by public auction.

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

Management Response

The management instituted measure to the recover the loans from the affected officer and so far, the amount has been recovered. A copy of the Bank statement Extract was attached for the committee verification.

Committee Observations

The Committee observed that the management had recovered the outstanding loans of five (5) officers with outstanding balances of Kshs.7,000,000 which were in default, as required by Regulation 19 of Trans Nzoia County Executive Car Loan and Mortgage Scheme Fund Regulations of 2023.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

2. Failure to Secure the Loans Issued

Review of records revealed that the Fund had loan portfolio totaling to Kshs.192,465,000 which comprised of car loan amount of Kshs.11,700,000 and mortgage of Kshs.180,765,000 that had been issued to thirty-five (35) officers. However, the minutes of the approving committee were not provided for audit.

In addition, the loans issued did not have securities contrary to Regulations 17(1) of The Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2023 which provides that a County Government shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property.

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

Management Response

The application forms, committee loan approval minutes were provided for audit review during management response to Management Letter. An extract of the Committee's loan Approval minutes were attached for the committee verification.

Management instituted measures to secure Log books and Title deeds. Copies of Ownership documents were also attached for the Committee verification.

Committee Observations

The Committee observed that; -

- i) the minutes of the approving committee to approve car loan amount of Kshs.11,700,000 and mortgage of Kshs.180,765,000 issued to thirty-five (35) officers were not provided for audit.
- ii) the loans issued did not have securities contrary to Regulations 17(1) of The Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2023.

Committee Recommendations

- i) **the Accounting Officer should, within 60 days of the adoption of this report, put in place recovery measures for the outstanding amount with clear timelines. The Auditor-General should review the implementation of the measures put in place provide a status update on the matter in the subsequent audit cycle; and**
- i) **the Accounting Officer ensured that the issued loans are secured, as required by Regulations 17(1) of The Trans Nzoia County Executive Car Loan and Scheme Fund Regulations, 2023. The Auditor-General should review the implementation of the insurance measures put in place and provide a status update on the matter in the subsequent audit cycle.**

3. Issuance of Multiple Loans

Review of the loan schedules revealed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 despite the Fund policy allowing only one (1) facility per officer. There was no evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement.

This was contrary to the scheme's objectives of equitable benefit distribution and financial sustainability.

In the circumstances, the Scheme Fund ability to utilize the resources effectively, equitably and sustainably could not be confirmed.

Management Response

The were no multiple issuances of loan to officers. The twelve (12) officers were issued with loan in instalments due to shortage of funds against the loan application appearing as multiple loans. Further, some officers benefited from both Car Loan and Mortgage. A copy of the Loan issuance Schedule was attached for the Committee verification.

Committee Observations

The Committee observed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 without evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement. However, it was later noted that the loans were issued with loan in instalments due to shortage of funds against the loan application, appearing as multiple loans, while some officers benefited from both Car Loan and Mortgage.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Unfair Issuance of Multiple Loans to Individuals

Review of the loan schedules revealed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 despite the Fund policy allowing only one (1) facility per officer. There was no evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement. This was contrary to the scheme's objectives of equitable benefit distribution and financial sustainability.

In the circumstances, the Scheme Fund ability to utilize the resources effectively, equitably and sustainably could not be confirmed.

Management Response

The were no multiple issuances of loan to officers. The twelve (12) officers were issued with loan in instalments due to shortage of funds against the loan application appearing as multiple loans. Further, some officers benefited from both Car Loan and Mortgage. A copy of the Loan issuance Schedule was attached for the Committee verification.

Committee Observations

The Committee observed that twelve (12) officers were advanced multiple loans totaling to Ksh. 89,950,000 without evidence of full repayment, restructuring, or clearance of initial loans prior to the next disbursement. However, it was later noted that the loans were issued

with loan in instalments due to shortage of funds against the loan application, appearing as multiple loans, while some officers benefited from both Car Loan and Mortgage.

Committee Recommendations

The Committee recommends that the matter be marked as resolved.

ANNEXTURES

Minutes of the Committee



13TH PARLIAMENT 5TH SESSION

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

PRESENT

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

ABSENT WITH APOLOGY

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

SECRETARIAT

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

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

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

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

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

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

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

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

1. Kajido County

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

2. Kiambu County

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

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

3. Homabay

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

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

4. Migori

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

5. Kisii

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

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

6. Machakos

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

7. Baringo

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

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

8. Isiolo

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

9. Busia

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

10. Kakamega

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

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

11. Bungoma

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

12. Kitui

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

13. Siaya

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

14. Laikipia

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

15. Turkana

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

16. Narok

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

17. Uasin Giishu

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

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

18. Nairobi

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

19. Meru

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

20. Trans-Nzoia

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

21. Nakuru

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

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

22. Kilifi

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

23. Kericho

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

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

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

Committee resolution

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

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

There was no any other business.

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

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

SIGNED: DATE:31.03.2026.....

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